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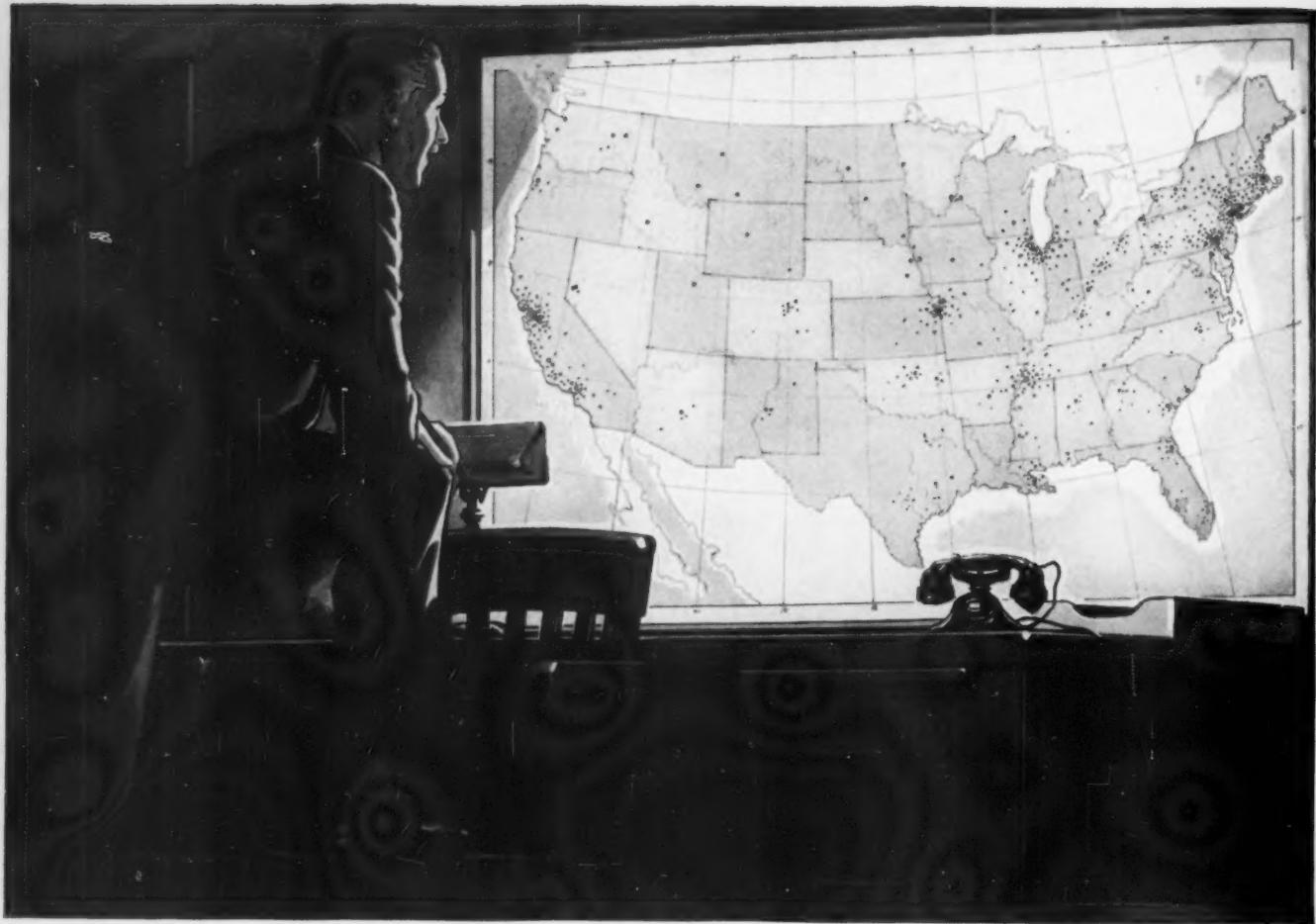
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# NATION'S BUSINESS



JUNE • 1933 Business Gives Its Opinions—on Wage Fixing—on Inflation—on Transportation Policies

PUBLISHED BY THE CHAMBER OF COMMERCE OF THE UNITED STATES



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June • 1933

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## Business Agrees to Regulate Itself

*Proposals at the Annual Meeting of the Chamber are Well Received*

**★** A LEADING writer on business and economics who attended the annual meeting of the United States Chamber of Commerce heard the opening address of President Harriman of the Chamber, and the supporting address of Gerard Swope of General Electric. The next night he listened to President Roosevelt's address at the annual dinner and the approval which greeted it. As we left the dinner he said to me:

"So business has turned radical."

"Business has done nothing of the kind," I said. "Business has reasserted its right to govern itself through its own organizations subject to the approval of Government, to work out in its ranks measures that are for the common good. That's not radical. Nor is it altogether new."

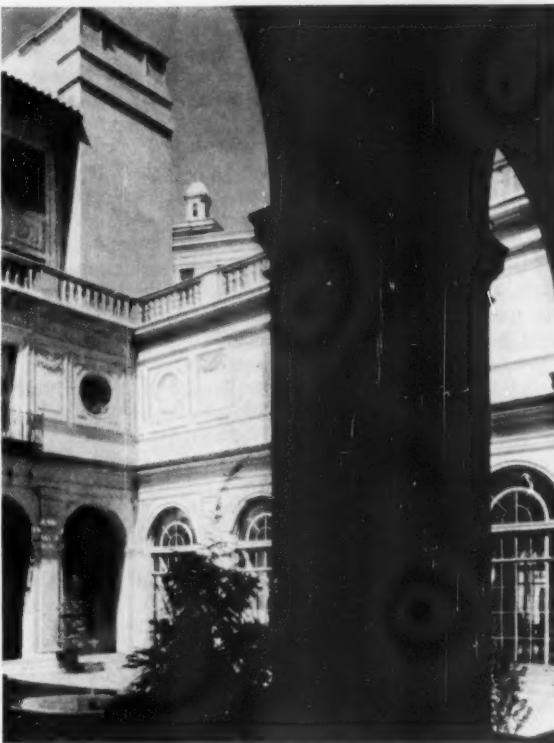
Business did take a great, and an important, step at this twenty-first annual meeting of the Chamber, its coming of age meeting. But it was a step forward on a well-mapped road, not a step to one side into new fields of governmental direction and control of industry and commerce.

Rightly to understand this new plan for American business, three declarations should be read together—Mr. Harriman's proposal at the first session of the annual meeting; President Roosevelt's carefully worded declaration at the dinner; and the Chamber's own declaration in the resolution adopted at its closing session.

### Business can do it better

MR. HARRIMAN, after voicing objections to the "rigidity" of Senator Black's 30-hour bill and the governmental boards to be set up by the measure proposed by Secretary Perkins, made this declaration:

"I am confident that if trade associations in conference with labor and the Government were permitted to promulgate fair rules for industry—covering limitation of hours of operation, minimum pay for employees, minimum prices for standard products, and the setting up of reserves for accident, sickness and old age—the serious economic problems which confront us would soon vanish."



The Court of the U. S. Chamber Building

And he added:

"The objectives to be obtained by Miss Perkins' bill and the trade practice bill are identical but one preserves American principles and American traditions. The other savors of autocracy and bureaucracy."

The next evening the President of the United States addressed the Chamber. He made three requests of business, of which the second was a call for "willingness to cooperate with one another" and "with your Government." He supplemented the request with this statement:

"An overwhelming majority of the units in almost every industry are willing to work together to prevent overproduction, to prevent unfair wages, to eliminate improper working conditions. In the past success in attaining these objectives has been prevented by a small minority of units in many industries. I can assure you that you will have the cooperation of your Government in bringing these minorities to understand that

their unfair practices are contrary to a sound public policy."

Following President Roosevelt's assurance of the cooperation of Government the National Chamber said by resolution:

For common action that is timely our industries have trade associations through which they can act, or which they can adapt for action. Each trade association, representative of its industry or branch, in accordance with its conditions and in conference with the appropriate agency of the Government, should be permitted to promulgate fair rules for industrial production and distribution, to improve the status of labor, the industries of the nation, and the public welfare.

Federal legislation affording opportunity for this form of self-regulation under government supervision would produce conditions which would assure fair competitive opportunity to each enterprise and permit immediate increase in employment, raise earnings, and free the public from the burdens and detriments it inevitably suffers from the results of destructive competition on the part of the least responsible industrial elements. All enterprise could be held to standards of fair competition properly determined.

"The old order changeth, yielding place to new." It is natural that there should be some resentment, some shaking of heads at the proposals for "self-regulation under government supervision." Men brought up in the faith that every

man had a right to run his own business in his own way so long as he kept within the law found these new proposals hard to swallow.

If a man wants to make shoes or soap or steam engines, should he not be permitted to do so? Must he agree with his competitors as to hours of work and wages—even prices—and then submit their joint program to Government before he can go ahead?

All through the meeting the corridors of the National Chamber building and the lobbies of Washington hotels buzzed with questions as to what extremes the new proposal might reach.

### Business accepts the "new deal"

YET, the representatives of business who attended the meeting were almost unanimous in accepting this phase of the "new deal" if it could be worked out successfully along the lines suggested by the Chamber.

Business has had in the past four years a bitter lesson in the evils of unrestricted competition with lowering wages and salaries and disappearing profits. Looking back over the past 12 years, it sees that perhaps the root of those evils lay in the unrestricted competition of a period of great prosperity when individual industries sought always to grow larger without proper understanding of the present and future needs of the nation.

"How far shall we go along the lines of preventing expansion without trade association and inferentially government approval?" was a question constantly asked. At one of the group meetings devoted to "Readjustments in Industry," C. R. Stevenson of Stevenson, Jordan and Harrison, suggested the possibility of "certificates of use and convenience" before present units in industry could be enlarged or new ones undertaken.

Mr. Stevenson in his talk carried the proposal for association control of industry to this apparently logical, if not inevitable, conclusion:

I believe that all industry is just as much clothed with public interest as railroads and utilities. And I believe that, in the future of economic planning where we are going to plan our operations, we will find it is just as necessary to obtain a certificate of convenience to engage in industry as to build a power line or a telephone system. Until we do recognize that principle, we will continue to have this destructive competition and lack of efficient operation that we have today. I think that part of this problem will take some years to carry out, but the time will come when a man, who wants to engage in industry, will have to get permission to do it.

That is a radical departure. They say it is socialism. It strikes at the individual's inherent right to engage in business. I look forward to the time when this will be so and I feel that this will be a permanent solution of this tremendous problem.

An executive of a large industry was asked:

"How would you feel, if before you could undertake the construction of a new building, you had to ask the owner of the property for a certificate showing that the proposal had been approved by an association if it were an industrial building, perhaps by a real estate board if it were an apartment or business building?"

"The idea doesn't shock me," he answered. "I can't, of course, see how the mechanics of the idea could be worked out. That's too far away; but I am sure that many buildings which I have had a hand in putting up were built only with the owners' possible profit in mind and with little regard for the need of such a building in that place at that time."

Another question often raised was this:

"Suppose we do agree in a given industry on wages, on hours of labor, on prices, even to some kind of allocation of production, are we still to go on and regulate methods of distribution? Here's an industry which is torn apart by the question of cutting prices to mass distributors and by charges that the individual dealer is being crowded out. Shall that industry seek to set up a code of fair practices in distribution and can it do it without calling in the retailers for confer-

ence? It seems to me almost a hopeless and impossible task to bring that about."

Part of the answer to this last question might be found in Mr. Swope's address on the opening day of the meeting. Said he:

"If industry does not see its opportunity and embrace it, it will be done from without. The alternative, therefore, is not, shall it be done, but by whom shall it be done? Shall it be done by the Government with its necessarily more rigid procedure and therefore less efficiently, or shall it be done by industry itself, which knows its problems intimately, taking the initiative and leadership with the cooperation of the Government to see that the public interest is protected?"

Put the question that way and there is only one answer—Business must do the job itself.

Methods of procedure are still to be worked out, the task is not one of weeks and months but of years, with many missteps, many trial plans that will fail and give way to new methods.

Mr. Swope, however, did outline some of the first steps. Every business man ought to read his proposals and then try to fit them to his own business:

It would seem necessary for each trade association, or chamber of commerce, to say that, for membership in its particular organization, the members first shall subscribe to a code of ethics in regard to what constitutes fair competition; second, that they shall adopt a system of uniform cost accounting and uniform periodical reports to their stockholders and to the Federal Government; third, that members of each association shall adopt comprehensive and cooperative plans for the protection of their employees, and the associations will arrange with each other for the transfer of these rights and benefits when employees go from one organization to another; fourth, that each association shall endeavor to stabilize employment as far as possible by requiring that each member shall either give assurance of employment, or build up reserves for periods of unemployment, to be contributed to by employees and employer.

Then the association will ask the Government to recognize its organization, that the members may agree on the coordination of production and consumption, with an opportunity for the Government to review the acts and agreements of its members. If such acts are not in the public interest, they must cease—subject to court review—but the members should not be subject to criminal prosecution and/or triple damages, unless the practice complained of is continued.

### Getting minorities in line

ANOTHER business leader who recognized that the problem before business was to save the country from worse things was P. W. Litchfield, president of the Goodyear Tire and Rubber Company. He was talking of the difficulty of fixing fair wages and hours of labor in the face of the ruthless minorities in industry. He didn't mince words when he described the situation:

We are confronted by three years of evidence that conditions have grown steadily worse under the principle of individual initiative and that the efforts of the social minded employer can be nullified by the greed of his competitor. Not many will contend that past policies are adequate to meet such a situation as we know to exist today, regardless of our firm belief in the principle of individual initiative. If we are to save our traditional freedom for the future, it is probable that we must make substantial concessions to what we have in the past classified as the more radical school of thought.

In spite of Mr. Litchfield's use of the word, I do not feel that business has "gone radical." The National Chamber has long encouraged the use of the trade practice conference as a means of bringing about business betterment. It has accomplished much along this line, but the man who tries to live up to the proposals of such a conference is constantly brought up against "the greed of his competitor." Now it is proposed that the greedy one be brought into agreement, willy nilly.

The need for this compulsion was voiced by William L. Sweet, treasurer of the Rumford Chemical Works, when he

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# President Roosevelt Asks Continued Cooperation by the Chamber



I DO NOT have to tell you that the Government of the United States, in its executive and legislative branches, has been seeking and obtaining action relating not only to our internal economy but, I am glad to say, also the initiation of a comparative spirit with all the other nations of the world.

Through measures which I at least, considering the time in which we live, believe to be moderate and, I hope, wise, we have been seeking to increase the volume of our trade; we have been seeking to give employment to the unemployed; and we have been seeking to effect a broad elevation of the commodity prices not only of our own country but of the world. Tonight, I present to you three requests.

During the past few weeks, we have witnessed a slight but I believe a very definite upturn for the good in most of our industries. We have witnessed a simultaneous rise in most of our commodity prices. But past experience indicates that, when the price level begins to rise after a long period of declining commodity prices, the wages which, during that declining period, have been curtailed and lowered, are apt to lag behind the rise in the price level.

That result has in the past imposed upon those who labor an unfair burden. That result has prevented the just and equitable share of those who work in the profits of industry and has limited the purchasing power of the overwhelming majority of our population.

THEREFORE, I am asking you who represent in all probability, directly or indirectly, the majority of the employers of the United States, to refrain from now on from further reductions in the wages of your employees. I am asking you also to increase your wage scales in conformity with and simultaneously with the rise of the level of commodity prices in so far as that lies within your power.

It is, I think, a simple fact that the average of the wage scale of the nation has gone down during the past four years far more rapidly than the cost of living.

It is essential, therefore, as a matter of national justice, that the wage scale should be brought back to meet the scale of the cost of living, and it is essential that this process should begin now.

My second request has to do with

the bringing of order out of chaos. During these past four years what previously has been considered to be an orderly industrial system, has, as you and I know, degenerated into a system of the highest disorder. You and I agree that this condition must be rectified and that order must be restored.

The attainment of that objective depends on your willingness to cooperate with one another and your willingness to cooperate with your Government.

An overwhelming majority of the units in almost every industry are fully patriotic; are willing to work together to prevent overproduction, to prevent unfair wages, to eliminate improper working conditions.

IN THIS PAST that we have gone through, success in attaining those objectives has in many cases, in many industries, been prevented by a small minority of the units within the industry itself. I can assure you, the majority of all the units of all the industries, that you will have the cooperation of your Government in bringing these minorities to understand that their unfair practices are contrary to the sound public policy of the nation.

My third request is of a somewhat different nature, though it has an important bearing on the other two. It is, after all, human nature to view a problem in terms of the particular existence and interest of the particular company or the particular business with which you or I, as business men, happen personally to be associated. It is, therefore, not unnatural that the various industries should apply that same point of view to themselves as individual industries. And yet I call your attention to what must be clear to all of us, that each and all of you, in your own units and your own industries, are but an integral part of a great whole, and that our national economy must be expressed in terms of the whole rather than in terms of any one unit of industry, because, after all, it is ultimately of little avail to any one of us to be temporarily prosperous while all the rest of us are permanently depressed.

I ask that you translate your welfare into the welfare of the whole, that you view recovery in terms of the nation rather than in terms of the particular

industry or the particular unit of a particular industry; that you have the vision to lay aside special and selfish interests, that you have vision to think and act for a national recovery.

And may I take this opportunity to express my special appreciation of the fine cooperation that I have had from your President, Mr. Harriman, and from his associates. That cooperation began in 1932, when I was still in Albany; when, knowing that I was interested, even in those days, in national problems of economics, in trying to help the country get back on its feet, he came over with a number of other gentlemen to tell me that I could avail myself of all the splendid knowledge, all the data, and all of the excellent advice which they were able to give, and I am very happy to have had that. I have used it in the past. I am availing myself of it now, and I am counting on it in the days to come.

He and his associates in the Chamber of Commerce of the United States have felt free to call on me and I have felt free to call on them. In that spirit of calling on each other the nation is working itself out of its troubles. In that spirit, we are going to succeed.

I WILL CLOSE by telling you a little remark that passed between the British Prime Minister and myself. We were talking about the hope of helping the poor, old world to get back on its feet, and we talked in terms of that word "hope" for a few sentences, and I looked at him and I said:

"Mr. Macdonald, it is more than hope. We have *got* to do it!"

And he said, "Yes, that old Scotch worr-d 'got'—that's good enough for me, and I will go along with you."

And so it has been in the succeeding week and a half. M. Herriot met me in the same spirit—we have *got* to do it! Mr. Bennett, the Prime Minister of Canada, was willing to use the word "got" as well. And then the Ambassador to France of the Argentine Republic came along, and I told him I didn't know what the word was in Spanish but he could translate it, and he said, "We are going to use the word 'got' from now on."

And today I had a most interesting, and may I say a very successful, talk with my friend, the Minister of Finance, Dr. Jung of Italy. He has the same spirit that I have *got*. And so from now on there is going to be a new international word—G-O-T!

# Highlights from President Harriman's Opening Address

THE problem before us is not one of scrapping an economic order or of evolving a new kind of human nature. It is the problem of adapting the old and tried human ideals and methods of conduct to new economic conditions. Neither ancient precept nor new panacea will solve the economic problem of 1933.

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BUSINESS has, for a century or more, moved forward with wide cyclical swings. Peaks of prosperity have been followed by valleys of depression. Leaders of economic thought, though not in entire agreement, recognize that numerous causes contribute to these swings. But many of our most thoughtful men are coming to the conclusion that the primary cause is the lack of balance between what we spend and what we save.

If we build too many factories—that is, if we save and invest too much—business breaks down because the market is not large enough to consume the goods it can make. If we save too little, the country becomes poor because our productive plant is inadequate.

This balance between saving and spending is not easy to attain, and I predict that the study of this problem will result in immeasurable social and economic development.

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OTHER causes of cyclical swings include:

The severe trade and business dislocations caused by the Great War. America changed quickly from a debtor to a creditor nation.

Speculation was increasing in this country from 1922 to 1929, due to cheap money and credit expansion.

No nation can invest money abroad on a grand scale without contemplating subsequent transfers to it of goods and services in excess of its exports. Yet, while lending vast sums, we twice increased our tariffs. Unbalanced foreign trade resulted in this country's receiving large sums of gold from abroad and necessitated the making of further loans to balance international exchange.

The period from the close of 1929 was also one of great expansion in the use of labor-saving machinery and processes in industry and business. The result has been temporary dislocation of industry and employment. All of these factors brought about a false prosperity followed by a depression of unprecedented magnitude. It takes no seventh son of a seventh son to point

out some of the things we must do to recover from it and to prevent its recurrence.

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THE orgy of national, state and municipal spending which has been sapping our resources must be halted. In 1900 our total public expenditures were six per cent of the national income. In 1932 our governmental expenditures had risen to one-third of our national income. The President has, with great courage, faced this problem and federal expenditures have been cut 25 per cent. But much remains to be done by the states and municipalities. In this respect the outlook is not discouraging.

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IT IS obvious that sound banks are a necessity. We need a system unified through membership in the Federal Reserve system. While thus far, banking legislation has been limited to emergency requirements, there is every prospect that Congress will soon enact broad statutes which will safeguard deposits and supply needed stability. Branch banking will undoubtedly be further developed; securities affiliates will probably be abolished or strictly regulated; and appropriate distinctions will be made in the character of the securities in which demand deposits and savings funds may be invested.

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RAILROADS remain the chief arteries of commerce, but in recent years there has been an increasing use of other means of transportation. It is important that the Government shall not permanently subsidize, directly or indirectly, one form of transportation to the detriment of another. Among other things, this means that, before huge outlays are made for waterways improvements, a careful appraisal be made of the real economies they will afford. In general, I think we may take it for granted that all classes of common carrier transportation must eventually come under public regulation and that each class must bear its own burdens and perform its proper services.

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CONGRESS is about to pass legislation, the primary objective of which is the increase of prices of farm commodities. One feature of the bill has been given little attention—the provision which authorized the Secretary of Agriculture to make contracts with the processors of farm commodities

whereby processors will be given privileges to stabilize their business, even to the extent of establishing minimum prices which must be observed by all in the industry. Many industries affected are beginning to feel that these provisions may be of service to them as well as of benefit to agriculture.

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NO SUBJECT is more bitterly debated than inflation. No one can deny the great desirability of a reasonably fixed relationship between the value of money and the general average of prices. Few people will doubt the value of international agreements resulting in stable ratios of currency exchange among various nations. And many will approve a definite international policy stabilizing gold and silver ratios.

I confess to a grave fear of inflation because of the difficulty of maintaining adequate control over it, yet I recognize the need of higher prices. I believe that the latter can be brought about through the medium of the minimum wage, minimum prices for basic commodities and an elastic control of the hours of labor.

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A LARGE public works program has ardent advocates in Congress. I doubt that such a program by itself, will accomplish its purpose. A deflation of \$50,000,000,000 in our annual income cannot be offset solely by a program of public works. Such a program cannot be advocated as a substitute for the opportunity for the different classes of industry themselves to proceed with measures which will bring a widespread increase in purchasing power through better wages and higher prices. However, it may be defended as a necessary auxiliary to other methods of economic rehabilitation.

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FARM relief, mortgage relief—both on the farm and in the city—new bankruptcy laws, regulations to insure greater safety for investors, and laws which will stimulate foreign trade, all have their place in the great enterprise of reconstruction. Never has an administration more courageously and fairly attempted to deal with so many far-reaching problems. Undoubtedly mistakes will be made, but we cannot afford not to try for fear that we shall make a misstep. We may court danger by attempting remedies, but we shall surely invite disaster by doing nothing. Broadly speaking, I feel that the nation is moving toward a sounder and better social and economic life.

(Continued from page 14)

told one of the groups of Chamber delegates that he believed the rules of a trade practice conference should apply to all members of an industry alike, adding:

Almost without exception it is the recalcitrant minority which engages in unfair practices and which is generally disruptive of the industry. Destructive competition on the part of self-seeking and reckless minorities should no longer be permitted. What is needed is statutory authority for each industry, acting through majority interests, to lay down standards of fair competition that will control not only those assenting to these standards but those as well who, for selfish or other reasons, are unwilling to participate.

If a new form of self-regulation of industry is to be put into effect, the question of revision of the antitrust laws must be met. More than one speaker at the meeting raised that point.

Speaking at a luncheon meeting, Silas H. Strawn, who preceded Mr. Harriman as President of the Chamber, suggested that "industry will be assisted and stabilized if contracts and regulations having for their purpose the proper control of production are permitted."

"Much could be accomplished by amending the Sherman act to sanction agreement among manufacturers when, in the opinion of some governmental agency, the public interest would be promoted. If persons desiring to enter into such contracts could obtain governmental approval of the legality of their proposed action and be immune from criminal prosecution and responsibility for treble damages the disastrous consequences would be removed."

### Cooperation in regulation

PROF. JOHN DICKINSON, Assistant Secretary of Commerce, who is one of President Roosevelt's brain trust and who has helped to frame legislation for the regulation of industry, was another speaker who didn't feel that competition was an unmixed blessing. In these words he gave rather cautious approval to suggestions that industries, through their own organizations, draw up proposals for regulation to be approved by Congress:

"It is, therefore, the industries themselves which have the primary responsibility for devising ways to restore themselves to a sound basis; but since obviously the point of view within each is truly restricted to the problems and interests of the industry itself, it is essential that industrial cooperation to eliminate the special evils of overexpansion must be subject to a wise governmental control."

A characteristic of this meeting was the number of government officials who were on the program. It gave to business a real chance to see the new administration face to face. Besides President Roosevelt, the delegates heard Secretaries Hull, Roper and Wallace, Chairman Morgenthau of the Federal Farm Board, and Assistant Secretary Dickinson.

Secretary Roper had a definite proposal as to the Chamber's part in carrying out what the President later termed "a partnership between government and industry." The Roper suggestion follows:

It is the primary responsibility of business to formulate in the first instance ways for recovery from the depression. The air is full of plans for the organization of some body, comparable to the Council of National Defense or the War Industries Board, organized by President Wilson.

Would you regard it fitting to make a beginning by organizing for the Department of Commerce a properly qualified coordinating general committee, to be designated, if you wish, the President's Council on Business, consisting of a reasonable number of representatives of commerce and industry—say not more than 21 in all, and properly distributed geographically and industrially—who could advise periodically with the Department? Such a body would be a channel through which the business community could express itself to the Government; and would, at the same time, supply the Government with the most experienced business advice as to proper ways of stimulating and reviving business.

It would be a body able to supply experienced advice on the multitude of plans for the stabilization of industry and for govern-

ment aid in such connections. It would also serve as an agency through which to turn back to business its proper responsibility for effecting through its own organizations those measures which had received the approval of the Government. I might also say that such an agency could greatly relieve the existing pressure upon the Government by itself undertaking to analyze and work out, in cooperation with the proposing business agencies and with the assistance of Government experts, propositions not requiring governmental guidance or legislative action.

Secretary Roper also asked the Chamber to consider the question of district and cooperative offices of the Department of Commerce. He suggested a limited number of field representatives working with business organizations in their districts.

### Retailers discussed the farm bill

BUT meetings of business organizations aren't made up only of speeches and programmed gatherings. They are held in groups where the conversations go something like this:

"My name's Redman. I'm in the real estate business in Boston."

"Glad to meet you. I've got a department store in Knoxville. Name's Blackman."

What did these men talk about in this fourth year of depression? Retailers, surprising as it may seem, talked chiefly of the agricultural bill. The bill with its inflation amendment was in conference when the Chamber was meeting. It was the proposed tax on processed goods that bothered retailers. The bill provides not only for a tax on the processors of farm products to bring the price to the farmer back where it was before the war but that the tax should extend to floor stocks. How could it be assessed and how collected? The department store man with stocks of cotton goods, of mixed cotton and rayon, of woolen and mixed woolen and cotton goods, wanted to know how his business would be affected. He was puzzled by the uncertainty. Should he add to his inventory or wait for further action on the farm relief?

There was a general agreement that stocks on store shelves were at an unbelievably low level. The prospect of inflation and the gain in commodity prices led retailers to feel that purchases now would be wise but their doubt over the farm bill held them back. Another retarding influence, the retailers said, was the difficulty of obtaining credit. Banks, they complained, were unwilling to lend for the purchase of additional stocks.

### Too easy for the debtors?

RETAILERS—and for that matter most business men—were disturbed also over the bankruptcy plans. There is a growing feeling that, although the debtor may need help and should be shown the utmost leniency, it is questionable if we should make it easier for debtors to escape payment. Proposals that municipalities might evade their obligations met with sharp resistance.

The Chamber had before it a report on bankruptcy prepared by a committee headed by Robert V. Fleming, head of the Riggs Bank of Washington. That committee declared and the Chamber supported the declaration by resolution, that "no action should be taken which impairs or destroys the integrity of municipal obligations."

Many business men felt that danger lay along the line of debt evasion. Once an individual or a business house or a city takes advantage of such laws as have been suggested, his or their credit for the future is weakened.

As one man phrases it, "We built this country on credit and we do most of our business on credit. It seems to me that much of the proposed legislation would drive us back to a cash basis."

Talk with bankers who were at the meeting and you'll find them uneasy about inflation, as well as about the general tendency to lighten the burden on the man who owes at the expense of the man to whom the money is owed. But most

of all they voiced a hope that a distinction would be drawn between immediate emergency legislation and long-time legislation which ought to have careful consideration, thought and open discussion.

They were disturbed at the likelihood of rushing through the securities bill and the banking bill. They felt that such projects as the guarantee of bank deposits, ably explained by Sen. Robert J. Bulkley of Ohio at a general session of the Chamber, should not be hurried through without examination into such questions as the possible effects on the credit policies of banks.

Everywhere one turned there was talk of the need of credit and the methods of obtaining it. That was particularly true of the building men and real estate owners who are tackling the problem of bringing existing buildings up to date.

Walter J. Kohler, president of the Kohler Company of Kohler, Wis., said that the chief obstacle to a large-scale extension of rehabilitating and renovating home, business and industrial properties is the difficulty today of arranging satisfactory financial accommodations. He urged the extension of federal aid in this field.

Similarly, Charles F. Palmer, of Atlanta, Ga., former president of the National Association of Building Owners and Managers, presented a plan for a Rehabilitation Finance Corporation, a non-profit enterprise composed of representatives from national trade associations interested in the ownership of business properties. He said:

This corporation would make loans for self-liquidating rehabilitation of business properties. They would be secured by income as are the farmers' seed loans. Each application would be analyzed by some body, such as the Building Planning Service Council of the National Association of Building Owners and Managers, which is a fluctuating group of owners and operators serving other owners and operators of buildings.

The owner would provide five per cent of the needed capital, the manufacturer would provide 15 per cent, and the remaining 80 per cent would be sought from the Rehabilitation Finance Corporation.

Loans would be liquidated over periods from one to 20 years, governed by the magnitude of the jobs, ability to pay, and the useful life of the improvement. The Rehabilitation Finance Corporation money would be the first repaid and the last to go into the work.

The group thus initiating the improvements would be the owners—the buyers, not the sellers. Financing once assured, these owners will act as their own self-starters, I am sure.

### Improvements and modernization

ONE of the interesting group meeting speakers was Dr. Frank Parker, President of the Philadelphia Federation of the Construction Industry, who described the Philadelphia Renovize Campaign.

He said that a comprehensive personal canvass of those who had pledged themselves during the Campaign to renovize home and business properties shows that to date approximately 50 per cent of the \$21,000,000 in campaign pledges have already been fulfilled.

Opinion expressed in formal meetings, in group discussions, in committee and in private discussion, crystallize at every Chamber meeting into resolutions which set forth the views of organized business. There is not space here to print these resolutions in full, but here are some significant sentences from them:

**Foreign Policy**—Our Government should have power to initiate reciprocal tariff arrangements with foreign countries where such bargaining would be clearly in our national interest.

**Agriculture**—Emergency legislation conferring unprecedented powers with respect to basic agricultural commodities has reached an advanced stage. That only benefits will arise from any exercise of these powers is the hope of all business men's organizations. There have been added extensive provisions with respect to farm mortgages and farm indebted-

ness. Speedy and efficient operation of these provisions will be most beneficial.

**Monetary Policy**—The gold standard is the only international monetary standard that has commanded general acceptance. . . . Improvement in the prices of primary commodities, of manufactured goods and of auxiliary services should be fostered, but price changes deliberately engendered through measures which are solely monetary in character will not be conducive to stability. In endeavors to provide a stimulating influence, any action that creates distrust in a currency unit is not capable of producing a lasting improvement.

**Banking Legislation**—Legislation should contemplate that every bank doing a commercial business is ultimately to become a part of the Federal Reserve System. . . . Commercial banks should be required to divest themselves of such (security) affiliates. Proposals for the guarantee of deposits we oppose, because a guarantee would tend to promote careless banking. . . . If any type of insurance of deposits were to be attempted, however, we would urge that there be consideration only of a voluntary system providing for the payment of a compensatory fee.

**Regulation of Security Offerings**—In view of the grave questions that have been raised concerning the successive drafts of the bills now pending in Congress, the public interest could undoubtedly be better promoted, and the protection of individuals be made more secure, if legislation of this kind were to be postponed until the next session of Congress.

**Federal Fiscal Situation**—Expenditures for usual capital purposes, such as public works from which the Government normally expects no income or reimbursement, should not be placed in a separate budget and financed by bonds issued for that particular purpose but, as has been the established policy, should be met from current income.

**Bankruptcy Legislation**—We do not believe that there should be an attempt to have federal legislation extend to municipalities, since methods dealing with municipalities in actual or prospective default upon their obligations should be left to constructive action on the part of the individual states, of which the municipalities in question are integral parts.

**Railroads**—Voluntary consolidations not unduly restrictive of competition should proceed. The Chamber has heretofore pointed out the need for savings through better unification of terminal facilities and their joint use in appropriate cases. There is need for the application of the same principle through cooperative arrangements by pooling and otherwise. Such measures should be worked out by voluntary action of the carriers concerned with assistance of the Government.

**Interstate Motor Buses**—The need for registration and regulation of motor buses engaged as common carriers in interstate commerce is recognized by the operators of such buses themselves. Congress should enact appropriate legislation.

**Highway Construction**—The cooperative investment by the states and the Federal Government in highways has become an important and wholesome national policy. Since the work is only partly done, funds in reasonably required amounts should be supplied. . . . Revenues so derived (from taxes on highway users) should not be diverted to other purposes. Special taxes should be laid upon highway users to defray their fair share of the costs of highway work. Revenues so derived should not be diverted.

**Muscle Shoals**—The Chamber membership in 1930 voted that the Muscle Shoals properties should be "sold or leased, as is, on the best possible terms." We reiterate our position.

**Unemployment Reserves**—We oppose the enactment of state laws providing compulsory unemployment benefits during the continuance of the present depression and until employers have had opportunity to deal with this subject free from the legislative interference or control.—W. B.

(Any business man who wishes a copy of these resolutions can get it by writing to the United States Chamber of Commerce.)

# What's Ahead in Washington

W. M. KIPLINGER Writes About the Outlook

Dear Mac:

I DON'T THINK it is possible to forecast accurately and precisely the events of the next few weeks or even the next couple of months. The developments are too stupendous.

It is possible only to indicate the general direction of governmental policy in its relation to economic matters.

The principal event seems to be this: Commodity prices will be raised further, both by inflation, and by artificial price fixing.

On this, as well as on all other Washington advices, I want to caution you once again that you must accept the Washington news and the Washington comment as indicative of general objectives of the Government, and you must adapt them to your own practical problems. Don't swallow anything from Washington whole. Mix it with everything else you get, and be guided by the admixture.

It is the *sense of direction* which I shall try to give you in this letter.

## Inflation

"INFLATION" is such a vague term that we'd better talk of commodity prices, which represent the main aspect of inflation. The course of commodity prices depends on many things other than government intention. But we'll talk of government intention.

The idea of the administration is that commodity prices should be at least 25 per cent higher by the end of the year. The idea of the Government is that it will try to reach this goal.

The 25 per cent figure is impressionistic. There is no official or authoritative utterance to support it. The only support is in various private conversations which show the intent and the desire.

Around the Department of Agriculture the standard private talk is that agricultural prices should be restored to the 1910-14 parity with non-agricultural prices.

A concurrent line of talk is that the general price level should be boosted to the 1926 level, or approximately 50 per cent higher than the lows of average commodity prices a month or two ago.

This is probably the desire of the Roosevelt Administration.

If political forces can accomplish it, commodity prices will be raised at least 25 per cent before the end of the year.

## International Agreement

BUT everything depends just now on the World Economic Conference in June. The objective of all countries is the same—to make more business turnover, more exchange of goods, more feeling of economic security, more peace of mind. Higher commodity prices represent not an end, but a means to an end.

Inflation in America alone is futile. Inflation here means merely the shortening of the yardstick by which measures are made. Higher domestic prices would be temporarily stimulating, but they could not last without world agreement.

So the current emphasis is on world agreement. America is

willing to inflate by any one of many means, provided the world goes along.

Outlook generally is for world inflation. There's a strong chance that leading governments will agree to manage their currency standards so that the purchasing power of money will decrease, and the prices of commodities will rise.

But this involves trading and jockeying for position. Most of the leading industrial countries want their exchanges low to stimulate exports. Consequently, one of the big jobs of the World Economic Conference is to fix some definite relationships between the currencies, and then to make subsequent efforts to maintain these relationships. This means managed monetary systems.

## Gold Dollar

I DO NOT know whether our Government will devalue the dollar by cutting down its gold content. I do not think anyone knows, even the President, for the action depends on what agreements can be reached at London in June.

This much is certain: The pressure for dollar devaluation has increased greatly in recent weeks. First it came from agrarians. Now it is coming also from many large industrialists in the East.

The President is known to have an open mind on the subject.

I am more inclined to expect dollar devaluation than not to expect it.

## Gold Standard

get away from gold as, somehow, the basic measure of value.

Gold as a standard of value has not worked very well, as our world economy has become so much more complex in recent years. It ought to be abandoned, and some commodity standard or managed standard substituted.

But it takes more human intelligence to create a managed system, and it seems doubtful whether the world has enough intelligence and the integrity to do it.

Furthermore, the gold tradition is still strong. Lots of people still think gold is valuable.

My guess is that it will take a generation to get rid of the gold standard. Eventually, I think it will be done, but not now.

## Direct Business Push

THE NEW "direct action" philosophy is related to inflation, because it is a means of making money circulate more rapidly, and it is a substitute for increase in the volume of money. The basic idea of "direct action" movement is this: We have a certain number of people. They must live, and they should live well, for as a nation we have the facilities for producing all the necessary things (both material and immaterial) to support a high standard of living.

But the private property and private profit system occasionally goes on a rampage, and then gets sick, and we have

a depression, with protracted deflation. If natural forces were let alone, they eventually would restore equilibrium. Meanwhile, however, millions would starve, or something. Before finally starving, the millions would cause a revolution. We were headed toward this; how close I don't know.

Now the business men are agreeing to "start up." They may succeed in operating profitably, or they may lose their shirts, but, anyway, they are going to *start*.

If everyone starts at approximately the same time, there will be buying power to take up the product, and shirts will not be lost.

It is an experiment, but a worth while experiment. I don't know whether it will work, but it certainly will work better than the *nothingness* toward which business was headed a few months ago.

### Controlled Economy

THIS month marks the real beginning of a controlled and regulated economy in this country. The new system will grow and grow and grow for the next ten or 20 years.

Heretofore, it has been every man for himself in business, and the devil took the hindmost. Hereafter, every business man must increasingly regard himself as one little cog in a big wheel. His industry or his trade is the wheel. His industry wheel must mesh with other wheels, so that all go round and round together for the best interests of society.

The engineers of this new economic system will be the business men. They alone know how to operate the details of the thing.

Trouble in the past was that business men fought among themselves to make themselves big cogs, and they lost sight of the whole machine.

So now the Government is to be chief engineer, and tell business what to do, how to act, how to synchronize.

The *know how* must come from business men. The *authority* must come from the Government.

This isn't state socialism—yet. This is state supervision, state control, state regulation, with *public interest* dominant.

I don't think the thing will work smoothly. It will work roughly. But gradually, over the next ten to 20 years, we can figure out how to make it work a bit smoothly.

If it fails, shall we then go back to the old system? No, we shall never go back to the old *laissez faire* system. If it fails, we shall go on to communism.

Most of us, being conservatives, cling to our rearings. We don't want communism. We don't know just why, but we don't want it.

The thing which will make us try hard to make this half-way system a success will be the recognition that it is relatively "conservative." Two or three years hence the reactionaries among us will be talking in terms which two or three years ago were considered "advanced" and "radical." This is already evident. Most of the delegates to the recent annual meeting of the Chamber of Commerce of the United States talked in terms which only a year ago would have seemed "pink."

We are moving very fast.

Anyone who wants to get along must try any way possible to adjust his mind to the new order of things. To do so is a practical proposition.

I speak of "controlled economy," rather than of "planned economy." The former is easier, the latter is more difficult. I wish we had the intelligence to plan our economy, but I don't believe we have it—yet. Certainly the Government doesn't have it. The Government doesn't have any peculiar or superior brains. The Government has only one thing which private business does not have, and that is *a sense of the public interest*.

This is why the new order involves private initiative, private ownership, private operation, plus a growing measure of governmental supervision whose contribution as umpire is the influence for public interest.

LOTS of people think the next few months represent the "emergency period." Well, they do, in a sense. They are "emergency" in the sense that within the next few months the

corner probably will be turned, the bottom of the depression will have been established.

(Personally, I think the bottom has already passed, but I can't prove it, and I'm cautious about saying it without hedging.)

But the emergency will continue for at least a year. The most difficult problems are ahead. They will relate to HOW to make this new order work. We have been dozing for a couple of years. Now we shall have to be on our toes. It will be better, for much work and much activity are always stimulating.

What I mean to impress is that when the corner is turned, the road ahead will not be broad and smooth. It will be winding and rutty, but it will be at least a road to somewhere, which is more than could be said for the road behind.

### Banking

WE'VE GONE only part way in cleaning up the banking mess. We got rid of many weak banks, but the banking system still has inherent defects.

Banking is to be integrated. Unit banking is to decline. Whether the movement will be by "branch banking" according to the old meaning, or by the tying in of unit banks with government-owned regional banks—this is something which no one can forecast clearly.

Bankers must do just what industrial units are now being empowered to do—regulate competition. The day of competitive banking, competitive granting of credit, is about over.

Government banking is growing rapidly, in many fields of credit. Banking will never be as highly profitable in the future as in the past.

### Railroads

MANY railroads during the next year must reorganize their financial structures, pare down their indebtedness and their fixed charges, get their operations more nearly on a current service basis. Railroads are moving more speedily toward unification than most of us realize. The intention of the Government is to make drastic realignments of their service facilities.

### Agriculture

TO INTEGRATE agriculture is the hardest phase of the whole industrial control program, for agriculture has more units of production than any other industry, and the production is dependent more on weather than in any other industry. For both reasons, production is hard to control and adjust to consumption requirements.

The purposes of the Government are (a) to raise agricultural prices to the 1910-14 parity with other commodities, and (b) to curtail production of the exportable surplus crops, approaching the domestic consumption, though probably not reaching it for cotton and wheat, the two major exported farm products. Curtailment of production of wheat (and incidentally cotton) will be attempted on a world-wide basis. Our own domestic efforts are merely part of the world movement.

Most of the best authorities in Washington are not particularly hopeful of restoring the foreign markets for our agricultural products to the level of the past.

The same authorities doubt whether the United States will build up its favorable balance of trade (excess of exports of commodities over imports) for three, four, or five years yet.

Rise in farm prices does not mean the end of the movement to adjust debts.

**Building**

the depression. (Most

IT IS OBVIOUS that the construction industries will show much more active business in the near future. Construction first, and agriculture second, will lead the way out of people put agriculture first.)

**"Service"**

SERVICE is a word much abused, used loosely. But it's the only word I know to describe generally the spirit of business in the future.

If you are in business, you've got to pay close attention to doing your job efficiently and economically, and to earning your salt.

The era of business buccaneering is past. Corporation profits in the future will be moderate. If they accidentally get fat, Government will take away the fat by taxes.

For a while we shall grumble. Then we shall lapse into the luxury of assurance of something like fair return for our efforts, in exchange for the heretofore possibilities of large return, with anxiety, uncertainty and vicissitudes.

**Pioneering**

ONCE again I want to remind you that we are pioneering far more than our grandfathers or great-grandfathers pioneered when they cut down trees, and fought against England, and figured out a Constitution. We are now pioneering in a much more important realm—the realm of social and economic reorganization. The era of social and economic reforms will date from 1933.

Within this new era we shall doubtless have a war. Thereafter, the impetus to social and economic reforms will be more rapid than at present. We shall be *impelled*, even more forcibly than we are now impelled.

It would be nice if we could avoid the war, and make our social and economic advances in orderly fashion. This is one point which makes the next few months so critical.

**Tag End Observations**

THERE'S a whole new set of "influence lawyers" in Washington—prominent Democrats, men who were almost appointed to something-or-other, but who now can demand good fees for their acquaintance with the men who run the Government.

There's now more opportunity for high-priced influence than ever, because the Government is dispensing billions.

R.F.C., unfortunately, is a place where political or personal influence counts. The influence is at the top, not down in the staff. The staff of R.F.C. is of unusually high standard of ability and integrity, because it was put together in hard times when good men were to be had cheap.

Some of the agrarians have developed "pressure groups"—a new name for the old "lobby groups."

Members of Congress grumble to constituents against all these new fandangled ideas in dictatorship legislation, but vote for them. This is a way Congressmen have of dodging responsibility for wrong acts and still getting credit if things work out well.

Most visitors to Washington see only their Congressmen and Senators, and get a line of extemporaneous conversation, and go away thinking they have acquired the low-down.

Most members of Congress have only a vague idea of what is going on "downtown" these days. They talk knowingly to callers, but they don't know.

Wild Washington rumors emanate more from the private and irresponsible chatter of members of Congress than from any other single source.

The "caller problem" in Washington is acute. A man comes from far to spend a day in Washington, and to see six or eight men here. On the same day, 30 other callers arrive, with the same idea. So each caller leaves without full satis-

faction, cussing Washington for being high hat. Nothing like this current pressure has ever existed here, even during the war.

Publicity is the ruination of most public men. Publicity is a drug which may be beneficial in small doses. Personal publicity is a thing to be dreaded by the wise.

The one journalist who has greatest influence on Washington thought these days is Walter Lippmann.

Women: It's interesting to see how the woman influence is growing in official affairs. Miss Perkins, Mrs. Roosevelt, who is more than merely the wife of the President. Newspaper women, who now form a sphere of influence from which newspapermen are excluded. Various and sundry women officials, women technicians, women experts. Under Roosevelt we males are declining. Our sons may have to pour the tea in Washington.

Patronage: Every new *in* party has its patronage rush, but now is worse than usual, because Democrats get in so seldom and because in hard times there is ten times the normal demand for jobs. Patronage is one thing which will make trouble for the Roosevelt Administration. One applicant gets the job, ten are reluctantly rejected. The ten have ten friends each, who go and grumble, starting 100 spheres of grumbling.

A national political party is not essentially different from Tammany. It must have jobs to dispense to keep the mechanism intact. This is due to the sheep-habits of voters. We are more-or-less rational in our business affairs, but sentimental in our political and social affairs.

Professors: The brain trust gets much publicity. The brain trust is highly influential. But the brain trust actually is subordinate to the laymen, the high officials, who run this Government. Mr. Roosevelt is essentially a layman, and he tells his intellectuals what to do more than they tell him. I've seen dozens of examples of this; there's no doubt about it.

So-called lobbyists have transferred their attention largely from Congress to the downtown executive sphere, as a consequence of executive "dictatorship." Acquaintance with one official is now worth ten times more than acquaintance with ten members of Congress. The social lobby similarly has transferred its area of incidence.

Much Washington information is accurate, but so fragmentary as to be valueless. Items are worthless without perspective.

Washington gossip is a good guide to policies, provided a sufficiently large quantity of gossip is collected to make possible a thorough checking, sifting, eliminating and weighing. It takes a whole barrel of gossip to make a pint of real guidance.

Our Federal Government, through its official purchasing agents, is one of the tightest of buyers. It doesn't allow a nickel of profit, if the sellers are fool enough to bid below cost, as they have been doing for the past year or two.

So while our high officials are making speeches about the desirability of not squeezing prices below cost of production, our efficient government purchasing agents are doing whatever they can to get rock-bottom prices for government purchases.

Will Federal Government grow? Yes. It's bound to grow. Don't you see that all this stuff about industry control means that Federal Government, Washington Government, will get bigger and bigger in the future? There's no escape from it.

This depression has created a pathological condition among us. Many think of the depression as eternal. It isn't. It will be over in three or four years. We shall have a new order of prosperity. Living standards will be higher.

How do I know this? I don't know it, but I believe it.

Yours very truly,

W.M. Thompson

May 11, 1933.



Sculpturing, hanging gardens and steel trees add interest to the Hall of Science

**★** CHICAGO has just brought out a new and fascinating model in World's Fairs. A community whose oldest tradition is that it is a young city is bound to quicken the march of civilization. In a land where the popular philosophy accepts change as the only certainty, the variations of its expression become immediately significant. That the substance of modern science and invention can be brought to a revealing focus is now demonstrated daily at the big show which Chicago opened this month to commemorate "A Century of Progress."

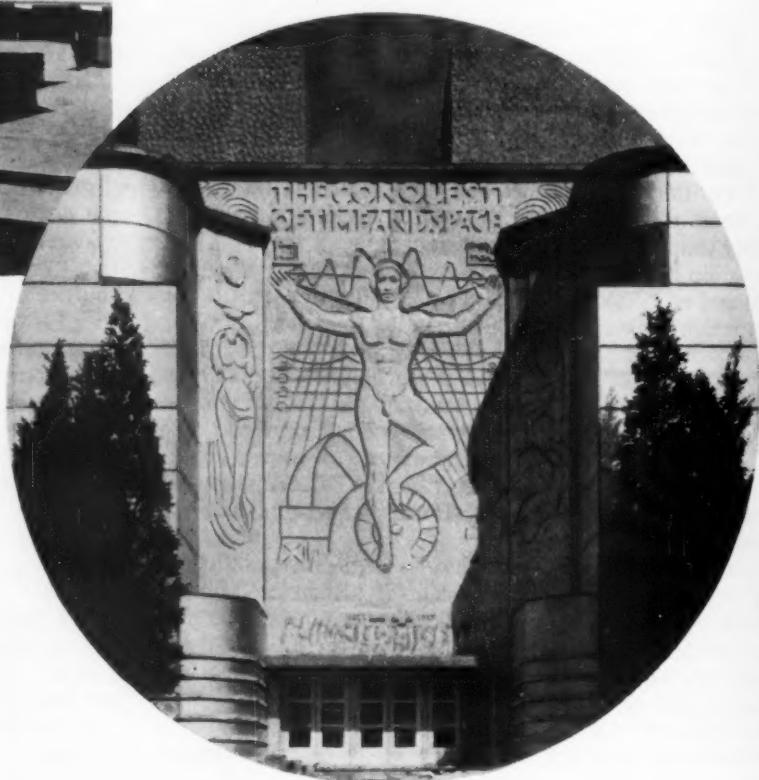
The very design of the exposition buildings and grounds declares its own meaning of progress. History is emphasized with novelty. Utility takes beauty for an active partner. Light is wielded as a painter's brush. And, while construction and service must precede demolition, considerations of wrecking costs and salvage procedures have figured conclusively in the structural determinations.

In a very real sense it can be said that this Chicago exposition is the first to which the words "detachable," "demountable," and "sectional" apply with so large a range in the building program.

With the ultra-modern placed in graphic contrast to the historical, the setting for the exhibits and the construction details of the buildings assume a natural importance in the interpretation of novelty in their own medium. Instead of lifeless rows of finished products or equipment, the exhibits will present an eye-catching motivation of manufacturing

# Building

FUTURE economies, future beauty and future utility in construction are all heralded by the structures which will house the exhibits at Chicago's new World's Fair



"The Conquest of Time and Space," a modernistic bas relief, designed for the Electrical Building

and assembly operations as they are actually performed in representative industries.

The essence of modernization is aptly revealed in the lines and the materials of the buildings which house the exhibits. Designs of striking originality invite the visitor's attention wherever he may look. They are daring departures in architectural form, utilizing color and planes and surfaces in ways hardly imagined before. The dramatic effect of light and coloring on their windowless surfaces is new and arresting.

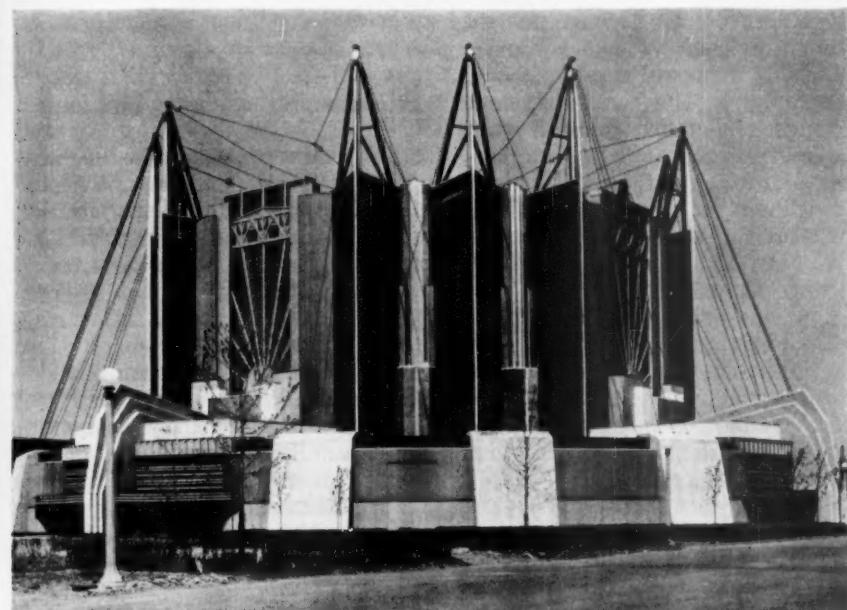
The Hall of Science, center-piece of the exposition's exhibit scheme, is set on the edge of a lagoon opening on Lake Michigan. A spacious interior courtyard, terraces, ramps, pylons, and a bell tower make this building an architectural magnet. A picturesque bridge leads across the lagoon to the

# ing Tells the Story of Progress

By RAYMOND WILLOUGHBY

Electrical group which extends nearly a quarter of a mile along Northerly Island and includes the Radio, Communications and Electrical Buildings. Sculpturing, hanging gardens, gay colors, spectacular illumination, fountains, steel trees and unique landscaping effects provide features of high interest.

The Administration Building exemplifies the use of straight lines and horizontal planes. The north and south wings are done in a deep midnight shade of blue, with white embellishing the central portion. The Travel and Transport Building, windowless and nearly a block and a half long, includes several innovations in architectural design. The roof of the great dome adjoining the main building is hung from "sky hooks" instead of resting on columns. The dome is the height of an average 12-story building and has a clear interior diameter of 206 feet. Cables, like threads of a giant



The dome of the Travel and Transportation Building is supported by cables

spider web, support the roof from the tops of 12 steel columns built in a circle.

The comb-shaped structure of the General Exhibits groups is notable. It includes pavilions separated by spacious courts in which landscaped pools mirror the reflection of the buildings. The Agricultural Group, shaped somewhat like a three-toothed key, is illuminated and painted in gay and forceful colors.

Other significant examples of this dramatization of architecture includes the General Motors Building, the Chrysler Corporation Building, the Sears, Roebuck & Company Building, the States Building, the Firestone Tire & Rubber Company Building, the Illinois Host Building, the American Radiator Company Building, and structures in the home and industrial arts group.

Never before has the use of light been organized on so great a scale. Huge floodlights spread a glow of color over the grounds. At a specified hour, announced on the exposition's loud speaker hook-up, the entire lighting system performs a veritable "light symphony." Forty years ago visitors to the Chicago World's Fair saw incandescent lamps used for the first time in decorative lighting in the grand manner.

Will the new building materials, the new methods of construction, the new light effects result in new types of factories, office buildings and industrial plants?

Great expositions usually have left their stamp on the architecture of the generation that followed them. The 1893 Fair ushered in an era of classical



In the General Motors Building visitors can see actual building of autos

architecture that reproduced the glories of golden ages of the past. And the success of its lighting stimulated the growth of artificial illumination at home and abroad.

The current exposition may be the means of demonstrating that future advances in the building industry will have their origin in laboratories, as is now the rule in other leading industries. Major exhibition structures were built at an average cost of less than 16 cents per cubic foot, including all construction, lighting, ventilation and landscaping adjacent to the buildings. "The cost of average commercial construction," the management says, "is at least six times that amount."

The remarkable economy in building costs is due, in large measure, to the fact that the fair buildings are temporary structures, designed to last for five months instead of 20 or 30 years, the average anticipated life of a modern building. But it is also in a considerable degree traceable to innovations in the use of building materials in construction methods. The designers and material manufacturers developed ideas which in themselves may not be directly applicable to permanent construction, but which will indicate methods and materials that can be used for permanent construction.

#### Designed for quick construction

IN this new building scheme, parts and materials already made in a factory were used. Wall materials, for example were prefabricated in shops, cut into standard shapes and sizes four feet wide by eight or 12 feet long, and shipped to the fair grounds. They were nailed or screwed or clipped to wood or metal studs supported on the steel framing, or held in place without nails in metal runners secured to the wood or metal studs. The time and labor saved in these field operations is a sizable factor of economy. The materials are light and easy to handle.

The temporary nature of the fair permits lighter working stress in the steel structure. The builders have not had to allow for the unknown ravages of time as is the case with buildings designed to last for many years. In several structures, the steel is bolted together instead of being riveted, thus permitting easy demolition.

Two general types of wall material have been used. One is a ribbed metal exterior wall siding. The other type includes shop-made wall covering panels of which three have been utilized—asbestos cement board, Douglas fir plywood and aluminum painted, paper covered gypsum wall board.

The walls of the Travel and Transport Building are made of sections of sheet metal, clipped or welded to the steel frame.

The Hall of Science utilizes Douglas fir plywood. Experiments revealed that it would withstand exterior exposure if the joints or edges of the board could be made water tight. The panels come in one-half inch thicknesses, sanded and specially treated with paint and oil at the mill. The jointing was made by half lapping the edges, each edge being cut at the mill, the horizontal joints lapping to weather. These lapped joints were given a coat of white lead and oil as erected. The board is attached to the studs with cement coated nails, through the lap.

The gypsum board is used on the Electrical Building, the Communications Building, the General Exhibits group, the Agricultural group, the Dairy Building, the Hall of the States, the Federal Building, the Home Planning Hall, and the Maya Temple. This material was decided upon, after experiments which showed that a one-half inch board, somewhat stronger than is commonly used for interior wall covering, would have ample strength for exterior application and that if the boards were painted over on the wall, exposure to the elements did not damage them.

These boards are nailed to the studding, or held by metal runners which clamp the board and are secured to the studding. The horizontal joints are "tongue-and-groove," and all joints and metal runners are filled with a mastic material to make them water tight. Some of the other materials have been likewise used in these buildings to obtain contrasting surfaces for the sake of architectural design.

The outside walls of the Administration Building are of asbestos cement board, hitherto used principally in small units for insulation purposes. The space between the outside walls and the inside walls of plaster board is filled with an insulating material made of waste paper and mulsified asphalt, giving an insulation value said to be the equivalent of an eighteen inch brick wall.

These various wall coverings, the builders point out, would not prove suitable for general permanent building construction. But prefabricated wall units of suitable life expectancy and wearing and weathering materials can be developed for such use. And these can be placed into the wall construction with a minimum of labor time and a saving in building costs.

Plaster is eliminated entirely on the interior walls of the exposition buildings. In its place, a three-eighths inch paper covered plaster board is used almost exclusively. This board comes in panels four feet wide by 12 feet long, and also in lesser widths and lengths. Its use is an economy factor and one which may influence future building.

One of the distinguishing construction features of the various fair build-

ings is the absence of windows. With the exception of the Administration Building housing the exposition's offices, virtually all the exhibit structures are windowless. Practical considerations dictated this feature. Sunlight for daytime illumination in an exhibition building is a variable quantity. By using artificial light, the architect and exhibitor have constant control over the volume and intensity of light, regardless of the kind or time of day.

It is possible to believe that this exposition is the first in which the problem of demolition and salvage has been reduced to a mathematical precision. The salvaging of building materials is naturally a most important consideration in the construction program. A contract form has been worked out with the builders, providing for salvaging of the structures when the exposition ends. A definite organization to handle the salvaging and resale of materials will be set up.

It has been determined that the demolition cost will be small compared to the original cost of construction. What percentage of the building materials will have a reuse and what the value will be, depends, of course, on the market conditions for materials at the close of the Fair.

#### Encouraging cheaper buildings

THE low cost per cubic foot of erecting the exposition buildings, the new utilizations of building materials and the new methods suggest important lessons for the future of permanent building construction. Lower building cost is a logical consequence. Another may be that buildings will be built to last only half as long as they are now designed to last. With the lively improvement in interior mechanical equipment such as ventilating, heating, air conditioning, interior communication and transportation and with the rapid obsolescence of location, commercial buildings are outmoded within a comparatively few years. The foundation and structure are built for permanence, involving a heavy investment that tends to serve depreciation. The cost of wrecking such a structure when it is obviously obsolete may be almost prohibitive under the present system.

The 1933 World's Fair buildings offer a clinical concentration of design toward future economies in the construction field and its related industries. It is true that "you may drive long distances through the fair grounds on the edge of the lake, seeing as you go proofs that this country is not discouraged by depressions." But more, it is also possible to see and understand at inviting first hand the forward movement of the building arts in immunizing the world against the deadly atrophy of obsolescence.

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# Seeking the Route to Fair Wages

By PAUL McCREA

**BUSINESS** has taken a step forward toward insuring fairer working conditions, both as to hours and wages. What that step means is told in the article beginning on page 13. Some conditions which led to that step are described here

**✓** THE AMERICAN employer was the first to learn that high wages are good business. He did not learn this lesson overnight, but, having learned it he accepted it so wholeheartedly that, 30 years after the "full dinner pail" slogan elected a president, the prediction of "two cars in every garage" did not seem like empty optimism.

Today the employer who willingly forces wages down will find the step decried by his fellow employers. Every intelligent business man knows that destruction of wages is destruction of markets; that every lost job means a lost customer which, in turn, means more lost jobs and the loss of more customers.

When, in spite of this conviction, business men recently found themselves compelled not only to watch, but, by cutting wages, to assist this downward progress, it was natural that they should try to do something about it.

Their first efforts along this line were made as individuals. They included rotation of employment, manufacturing for stock, establishment of subsidiary lines, shifting of workers within the plant, and unemployment insurance plans. These soothed but did not cure the disease. Business men, finding themselves unable to handle the problem alone, began to seek the solution through cooperation with other business men or with the Government.

As a result, scores of plans have been devised and presented. Their common purpose is to reduce unemployment and stabilize wages.

Current estimates of the number of unemployed in this country range from the 13,000,000 set by President William Green, of the American Federation of Labor, to 17,000,000, the March estimate by Miss Frances Perkins, Secre-



BROWN BROTHERS



The sweatshop is returning in areas and industries never before invaded. Conditions shown in these photos of 20 years ago are being rivalled today

tary of Labor. Either figure, or neither, may be right. Any estimate of unemployment must be influenced by the judgment of the person making the count.

I know a theater trumpet player, for instance, who is now driving a taxicab. I know a girl whose income came from investments which are now returning practically nothing. She needs a job. An engineer, out of work, is doing odd jobs in the neighborhood. His time is booked a week in advance. His wife, a former school teacher, is seeking a job as a children's guardian.

Each of these persons would be included or omitted from an unemployment count, according to the views of the estimator.

In any event the number of unemployed is great. Millions of potential customers have not the means to buy and many others are so uncertain of

the future that their purchasing is reduced to a minimum. Various reasons have been adduced for this condition. For the most part they do not stand analysis. Wages and employment frequently do not behave, outwardly at least, according to accepted economic laws. From 1920 to 1927, this country, according to the Committee on Recent Economic Changes, had an average of more than 2,000,000 unemployed. In spite of this, wages were increasing. Between 1927 and 1929, in a period of what at least could be mistaken for prosperity, average earnings in one important industry declined.

### Causes of the depression

WHAT started the actual downward spiral in 1929 is debatable. One student believes it originated in industries making capital goods. Before that unhappy year, he says, industries were increasing their productive capacities, necessitating purchases of capital goods. By 1929 they had supplied their needs and industries providing capital goods came to a standstill. Their employees were thrown out of work and thus began the decrease in the consumptive power of the country.

Other critics blame the tariff, the antitrust laws, prohibition, and the public psychology. One neutral association lists and analyzes 40 contributing causes.

Whatever the reasons, the depression came upon us. It deepened despite the fact that leading business men, assembled in Washington at President Hoover's call, pledged themselves against wage reductions. The pledge was sincerely made, but it failed to reckon with several things.

It failed to consider, for instance, a rising demand for price merchandise and the willingness of the minorities who can control prices in any industry to cater to this demand. Business men who hoped to maintain wage schedules soon found that competitors were cutting wages and grabbing the business. Suppliers began to feel pressure for lower prices from those who bought their goods for remanufacture. Every wage cut meant fewer consumers which meant fewer sales which

meant still fewer workmen. Business became a scramble for orders on almost any terms, the feeling being that any wages were better than no wages at all. As one manufacturer explained:

"We have had to adopt the contract system. If we get an order for say \$600, we figure our overhead and our cost of materials to see what is left for labor. Then we go to our men and tell them that, if they want to do the job, we can pay them, say \$400. If they won't take it, we don't get the business. Labor doesn't like it, and we don't like it, but there's nothing else we can do."

Such a situation offers a tempting opportunity for the man who wishes to exploit labor and he has not hesitated to take advantage of it. The sweatshop, target of public condemnation and social legislation at the turn of the century, has returned with variations, among which are the "runaway" and the "gypsy" factories.

### Variations of the sweatshops

THE "runaway" operator clamps a few machines on benches in a vacant loft building and advertises for workers. He tells applicants that they will have to work a week for nothing to learn the trade. At the end of the week, he sells such goods as have been produced and disappears without paying his bills.

The "gypsy" operating usually in the garment industry at least meets his pay roll, such as it is. He arrives in a city where garment workers abound, pays starvation wages, underbids established concerns, and, having milked the town, leaves for other fields.

Social workers, investigating complaints against these operators, have found women and girls working a week of 60 hours for pay checks of less than two dollars. Wages of two cents an hour have been reported, earned in factories which one of the workers described like this:

The windows were below the level of the pavement, letting in dust and dirt which was the air we breathed. On one side of the building was a parking place for automobiles. The exhaust from these cars threw out monoxide gas and frequently during the



Miss Frances Perkins (seated at table on the right) explained her bill for fixing hours and wages to the House Labor Committee. Mrs. Roosevelt was in the audience

WIDE WORLD

day girls complained of the strong odor and being sick. We worked in artificial light all day.

We had no provision whatsoever for our clothes. We had no rest room and no lunch room to eat the lunches we brought. Our lunches we placed on work benches where rat poison was thrown around and roaches crawled up and down continuously all day.

We had a cooler which was filled only twice a day for 150 girls. If we wanted any more water we were told to go and get it in the toilet. Under this cooler was a pan for the falling water. That water would stay there weeks at a time with paper and bastings and dust and dirt. We made frequent complaints and he told me if I wanted my job very badly I would keep my mouth shut.

The cellar was very damp. Several girls complained of rheumatism. I worked 64 hours and made \$6.96.

This sort of exploitation is for the most part limited to states with lax labor laws. But it is spreading, both geographically and into industries where it has never before appeared.

### The unscrupulous minority

THIS spread is a menace, not only to the workers who are trying to exist on the pitiful wages paid, but to all workers and honest employers. Reputable employers, trying to compete with a concern which pays its labor two cents an hour, are under a heavy handicap. Even though the employers who are willing or eager to beat wages and prices down are in the minority—President Roosevelt estimates them at ten per cent—they are able to exert a tremendous pressure when the customer's first question in any sale is, *perforce*, "how much?" The 90 per cent of employers who want to pay fair wages find themselves forced either to reduce wages or to go out of business.

Naturally the former course has been widely followed. Figures prepared by the National Industrial Conference Board show that average weekly earnings of manufacturing wage earners declined from \$28.52 in 1929 to \$17.16 in 1932. Another tabulation, appearing in the Pennsylvania Department of Labor Bulletin, shows a scale of wages for unskilled male workers ranging from 30 cents an hour in the automobile industry down to 7.5, six and five cents for general contracting, brick, tile and terra cotta and sawmill labor.

Testifying before a subcommittee of the Senate Judiciary Committee, William Green said:

"It is officially reported from Massachusetts that certain shoe factories in Lynn are paying workers only six, seven and eight cents for a full morning's labor and that \$1.82 for a full week's work is considered 'top pay.' Workers in garment factories, radio plants and leather-goods shops in many places have been cut to \$3 to \$4 a week for full-time work. Textile workers in New England are down to the same level."

These are sweatshop wages, of course, and reputable employers realize it. Whether factories paying such wages are sweatshops depends on intention. Sweatshops pay the lowest wages possible. Wages in reputable concerns, though low, are the highest possible.

"I've already cut wages 20 per cent," one employer said. "I could cut them in two today and not lose an employee. They've no place else to go. Most other employers could cut, too. But," he added, "we'd be cutting our own throats."

Although the decline in prices has compensated somewhat for the loss of purchasing power resulting from these reduced wages, it has failed to strike a balance. According to the index for all pay rolls given by *The Annalist*, unemployment, part-time employment and wage cuts have caused a total loss in wages and salaries, of 67 per cent since 1929. In about the same period, living costs declined only 18 per cent, according to the same authority.

Using a somewhat different approach, the National Industrial Conference Board estimates that, since 1932, real weekly earnings in manufacturing—the ratio between wages and prices—have declined 23 per cent.

That means that wage earners who are still employed can buy less goods than they once could and that the people

who were making those now unsalable goods have either lost their jobs or will lose them soon. If that 23 per cent of real wages could be restored, those other workers could go back to work. They in turn would buy goods, demand would increase and business would be stimulated.

That is the long-range purpose of the minimum wage, the 30-hour week and other wage and employment stabilizing measures.

The most widely discussed of these measures is the Black Bill. This measure, as originally introduced by Senator Hugo L. Black of Alabama, would simply have barred from interstate commerce "certain commodities and articles produced or manufactured in industrial activities in which persons are employed more than five days a week or six hours a day." The measure provided for a few exceptions.

In this form, its chief effect would have been to spread such work as there was among a greater number of people. This, in theory at least, would give more people incomes, reduce unemployment somewhat, and head the country toward better times.

Had a measure similar to this, but applying to *all* industries, been in effect in January, the Federation of Labor estimates, it would have put 6,600,000 people to work. Today such a measure would affect only 5,700,000, according to this same source, because the number of available man-hours of work have been reduced since January. The Black Bill would bring reemployment to fewer than 2,000,000 men, the Federation estimates.

Although the Black Bill, in its original form, came under fire at once, it passed the Senate and went to the House where an imposing list of amendments were proposed. The most drastic of these appeared with Miss Frances Perkins, Secretary of Labor, as their champion. They actually constituted an entirely new bill which included the 30-hour provision but authorized the establishment of boards which, after proper hearings, might permit longer labor under certain conditions. This board's personnel would include a representative of the Secretary of Labor, a representative of the employees involved and a representative of the employers to be chosen jointly by the Secretary of Labor and the Secretary of Commerce.

The new measure further authorized the Secretary of Labor to limit the total hours of labor in any plant whose operation was causing overproduction or unfair competition; it authorized establishment of wage boards, empowered to subpoena books and records, to determine whether workers in any plant were receiving a wage "fairly and reasonably commensurate with the value of the services rendered or sufficient for the maintenance of a reasonable standard of living;" it also provided penalties for those who violated its terms or refused to open their records to inspection.

### Overwhelming difficulties

THIS was hailed everywhere as a remarkable document. The question of constitutionality, first raised over the original Black Bill, was reiterated more forcibly. Critics declared that many industries would find it technically impossible to operate only 30 hours a week. Some felt that the measure would actually increase unemployment. Others wanted the 30-hour provisions extended to cover imports. Labor objected to a minimum wage on the ground that minimum wages, once set, soon became the maximum. Others declared that it gave the Secretary of Labor dictatorial powers over industry.

Testifying before the House Labor Committee, to which the measure was referred, Miss Perkins declared the Administration to be in favor of these proposals which she described as "a compulsory form of the share-the-work movement." This spreading of work would do little to increase purchasing power if it resulted in lower wages, she pointed out in explaining the wage-fixing stipulations. She denied that enforcement of the measure would require numerous

(Continued on page 52)

# Some Problems in Sales Ethics

By WALTER H. GARDNER Advertising Manager, Caterpillar Tractor Company

**V**IN the course of the trial of an important case, runs an old story, a brazen attorney sent the honest old judge a case of champagne. Bribery! Well, not exactly, for in the package the donor put the card of the opposing lawyer. Ingenious and perhaps effective—but tricky, unethical and destructive of confidence in future dealings.

In a snow-plow demonstration on Maine roads, one tractor driver said to his competitor, "You take the right fork—I'll take the left."

The speaker, who knew the country, had clearly in mind that the other machine would have to travel five miles even to turn around. Long before the five miles were covered, the road officials turned back and, finally tired of waiting, ordered the machine demonstrated by the first salesman. Was he shrewd and smart? Or just a little tiny bit sharp?

There are many selling tricks that the law can't touch. There are legitimate expedients of resourceful minds that arouse admiration—and there are slick, deceitful dodges that even self-respecting salesmen put over and laugh about.

Two tractors were to put on a competitive plowing contest in Texas. In the night one driver tightened the clutch brakes on his competitor's machine just enough to hold it back from delivering its full power. Its driver was thus robbed of a chance to show the superiority of his tractor. Was that a fair trick?

It took a year for revenge. Then one day, in a ten acre field, another competitive showing won a big crowd—each machine pulling a three-bottom plow. With but a little land left, late in the afternoon, a four-bottom plow was suddenly delivered to the driver who sought revenge. He pulled it so spectacularly as to stampede the crowd away from the other machine whose driver had no big plow to pull, no ground to pull it in, no time to do anything. Was that fair?

You can't answer these problems by saying, "A good salesman should be a good sport." It's all right to shout curses at a baseball umpire—it's wrong even to scowl at the referee of a tennis match. You keep still while your golf opponent drives—that night, at the poker table, you try to talk him out of playing the better hand. Custom and habit govern—there are no written rules.

A failing business grasps straws with-



out worrying about who owns them. A sales manager afraid of his job justifies tactics not so likely to be adopted in easy-going times. A salesman on commission thinks first of his hungry children and second of his instructions.

## When lower costs are justified

MANY a firm is today forced to turn over its inventory at less than cost—it is not dishonesty nor trickery nor ignorance that force such panic prices—cash is needed to keep alive for better days to come. Normalcy will come when such firms have cashed in and quit—or when lower costs will have justified new price schedules.

But low prices are sometimes just short of dishonest. Every buyer of printed matter knows of an outsider ready to quote at less than cost to "break in" with an initial order. In some of the great printing centers of the United States, a patient and pitiless buyer, playing one printer against the other, could perhaps buy all his requirements at the cost of production.

Some firms quote fantastically low prices on occasion—others never do. Both are within the law—there is no code of ethics to curb the firm which tears down the fair profit basis of an industry. But it is a trick that seldom wins in the long run.

Said the purchasing agent of a big company, "We rarely give the order to the lowest bidder. He is either incompetent or a chiseler—or he is trying to buy our business by an initial loss for which we must later pay."

An engine manufacturer once offered to design special engines for customers and turn the blue prints over free—asking only that he be given the opportunity of quoting on the job. Sounds very fair

indeed—but the blueprints included patented features and sub-assemblies that only the designers could economically produce. Good business?

Where's the answer? Let's begin by dividing all selling businesses into two classes. Class one—those which are trying to establish a growing business. Class two—those which are trying to make sales.

In the second class are the firms that open jewelry shops in small towns a month before Christmas—and have long since departed before the verdant tinting of their products proclaim the coming of spring. There are the ubiquitous "auction sales." There are second hand stores that have no credit or returned goods departments—and no established prices. The list is long.

No one expects ethics or strictly fair dealing from firms that are trying to make sales instead of customers. Such firms do not particularly care if they don't see a customer the second time.

Other firms, vastly in the majority, want to see their customers again and again. So they deal their cards face up on the table. They suffer loss rather than have that customer endure mistakes or faulty merchandise or even regret poor selections. They build a growing business on confidence.

Anything that destroys that confidence is poor ethics, poor business. And customers have an uncanny way of quickly discovering petty deceptions and even the gold-plated frauds.

Any sales tactics which a firm would not like to have its customers know about are wrong. Conversely, any sales strategy, any appeal to buying psychology, any tactics of display or persuasion are sound if the buying public could be safely allowed to peek behind the scenes.

But starving men will sometimes steal bread. And, in varying degree, we have with us starving business. There are temptations to stave off bankruptcy by converting inventories into cash at the expense of an industry's profit structure.

But if a business has a little cash reserve, a willingness to work today and a bright hope for tomorrow, a determination to stay in business and to grow—why there is never need to be stampeded or flustered. Lowered ethics may precede a business failure—they never help to stiffen a drooping sales curve!

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## *Charting the Course of Business . . .*

### **Business holds a hand . . .**

★ BUSINESS took a hand in the new deal at the annual meeting of the United States Chamber of Commerce last month and insisted on its right to help make the rules of the game.

It declared itself against putting business in a government strait-jacket but proposed that Government permit business through its own organizations to set up standards of fair play, to agree on fair wages, fair hours of work, even fair prices and to ask the Government to approve the plans and, if need be, assist in enforcing them.

The plan which met the approval of the Administration and which is expected to be incorporated in the control of industry bill gives to the trade associations great opportunities. It gives also the great responsibilities that go with opportunities. It calls for high, clear-minded executive ability on the part of trade association managers.

In one industry a faction is willing to make price concession to such mass retailers as the chains and the mail-order houses. Another faction condemns the practice. How shall the two be brought together? How shall the industry agree on what are fair methods of distribution? This and a hundred like tasks are ahead of those who have faith and hope in the new deal for industry. Yet those problems must be faced and conquered or industry will find itself facing sharper regulation and sterner discipline at the hands of Government.

### **More work for organizations . . .**

★ IT SEEMS likely that the trade association under the new plan for self-regulation of business will occupy a more important position in American industry than it has ever had.

But what will be the position of the chamber of commerce in this new program for business? Will it lose its importance and fade into a sort of civic club, radiating local pride and passing a resolution demanding cleaner streets?

Decidedly not! The chamber, particularly in industrial centers, may have a great and worth-while job getting its local industries together to deal with the same industries in other communities and with other industries in the same community.

Here's a community in New England which has shoe factories and machine-tool makers. Here's a community in Ohio which has rubber mills and machine-tool makers. The machine-tool makers of the New England town must be brought together to discuss their common problems before they meet with the Ohio manufacturers and the manufacturers from other cities and in other states to present an agreed on proposal to the Federal Government.

There's a job for the chambers of commerce in New

England and in Ohio. But isn't there going to be a further task for the chambers to see that the agreement with competitors in other cities is fair also to its neighbors in its own cities? The agreement on wages, on hours, which is satisfactory to the machine-tool men might prove intolerable to the shoe manufacturers of the New England city or to the rubber manufacturers of the Ohio community. Haven't, then, the chambers in each place a further task of bringing all their industries into a better understanding?

Organizations all the way up from community groups and trade associations with a dozen members to the United States Chamber have a place in what has already been called "the greatest experiment of our generation"—the effort to substitute voluntary self-regulation through group action for a series of Soviets of industry named and directed by Government.

### **Trying self-regulation . . .**

★ HOW WILL business accept this phase of the new deal, this regimentation of business by itself but with government supervision required and government force in the background where necessary?

No one can speak for all business, but talks with many business men at the time the new plan took shape lead to these conclusions:

The majority will accept it gladly. They are the men who feel that our economic life has grown so complex that it's no longer possible to assert that any man has a right to engage in and carry on any business he likes so long as he does not violate the law.

Others will acquiesce in feeling that worse evils may await them if they do not accept this form of self-government, even though it might cut them off from some possibilities of profit through individual adventure.

Still a third class will accept the new regime through sheer weariness. Having gone through four years of depression they are too tired to fight.

And on the other hand there will be business men who, even if compelled to surrender, will, in their hearts, hold to the faith that free competition and the right of the individual to try have brought the world forward and could do it again.

### **Lining up the minorities . . .**

★ FEW industries are without "ruthless minorities" which are always ready to desert cooperative agreements and follow their own pathway to profits. It is easy to see that if 90 per cent of an industry lines up a program of shorter hours and better pay, the other ten, by lengthening hours and lessening pay, might make great gains.

President Harriman was asked what, under his trade as-

sociation plan, could be done to these men. His answer was:

"They'll be treated like any maverick. They'll be roped, branded and made to run with the herd."

## Supplementing faith by works . . .

★ LISTEN to talk of what caused the depression and you'll find that one group of arguers will tell you it's fear (another name for lack of confidence) while a second group will tell you that depression is caused by facts, the war, distorted relations of production and consumption, unbalanced budgets, an excessive and dangerous debt structure.

Both sides are partly right. Depressions are made by facts and added to by fear. Depressions are overcome as facts right themselves and fear gives way to faith.

The second half of April and the first ten days of May saw both conditions correcting themselves. The panic which pessimism produces gave way to hope. Heads that had only been shaken to every suggestion of betterment began to nod in approval when others said, "Things look better, don't they?"

But fear doesn't pass by itself. It needs some facts to drive it away. And the facts of the last six weeks are favorable to faith.

With scarcely an exception, the major indices of industry have grown more cheering. Sales of automobiles are greater, freight car loadings are higher, steel production is fast nearing a point where profits are possible.

If despair has given way to hope, if men are ready to believe that "times are better," then it remains for them to translate that confidence into action.

With all reverence, we might take as a text for these times a part of the fourteenth verse of the second chapter of the General Epistle of James:

"What doth it profit though a man say he hath faith and have not works?"

## Wage scales and income . . .

★ INDUSTRIALISTS were inclined to discuss the wording of one phrase in President Roosevelt's speech to the United States Chamber at its annual meeting. The President said:

"The average of the wage scale of the nation has gone down during the past four years more rapidly than the cost of living."

Said the treasurer of a large manufacturing company:

"If the President had said that the wage earners' incomes had gone down faster than the cost of living I shouldn't have had a question. And it may seem unimportant that wage scales have not gone down as rapidly. But this is what happens:

"In our own plant the wage rate has only been cut ten per cent, while office and executive salaries have been cut from 20 to 40 per cent with the heaviest cuts in the highest salaries. The man in the factory has been harder hit because his hours of work have been cut. When we have more work and put the man who has had two or three days a week back to four or five his wages will automatically go up while salaries will stay where they are. In fact the last thing in our business to be inflated or reflated will be my salary and the president's."

## Harder work brings business . . .

★ "THREE years ago," said a representative of a large corporation, "our executives all had been bitten by the downtown office bug. The infection started in the boom days when one of our plant executives decided that he would much rather have his desk in the downtown office than at the plant. One after another succumbed. Finally they were all at desks downtown.

"Then the sales force succumbed. Many of our best men insisted that they be made district sales managers, with appropriate offices, and that somebody else should do the leg work they had been doing.

"Then the depression came on, and our company was feeling it. The desk-sitters were chorusing the blues. The fact that their feet were on their desks didn't interfere at all with their vocalizing.

"Their chorus didn't have a bit of effect. The depression hung on.

"Finally the boss got wise. He cleaned out the downtown office. He sent the plant executives back to their plants, told them to get on the job out there and stay there.

"He cleaned out a lot of district sales managers' offices. He took crack salesmen out of their chairs, put sample cases back in their hands, told them there was business to be had and that they had better get it.

"Shirt sleeves were rolled up throughout our organization. We got busy and business began to roll in—not a flood, of course, but a comfortable volume. One erstwhile district sales manager who had gone back on the firing line—where he should have been all the time—rolled up a sales volume within five per cent of the mark he had set back in 1929. Our morale is up and we're really fighting.

"I think that most of us in the organization are getting a whale of a lot more kick out of our jobs today than we ever did back in the mahogany desk days when we were having our delusions of grandeur."

## Insurance or investment? . . .

★ IT WAS a warning figure that M. A. Linton, President of the Provident Mutual Life Insurance Company of Philadelphia, cited to insurance salesmen at a recent meeting. Since the depression began he said "the institution of life insurance has readily paid out more than \$4,000,000,000 in cash to meet demands for cash and loan values—not to mention another \$3,000,000,000 in death claims, matured endowments and other policy payments."

Mr. Linton felt that an unfair drain was being put upon the life companies.

He thought that conservators of banks were in part responsible. On this point he said:

Hundreds of millions of dollars are tied up in the more than 3,000 banks that have not opened unrestrictedly. Conservators and others would like immensely to realize on loans and have the borrowers get the money from the life insurance companies. The institution of life insurance wants to be helpful but it would be unreasonable to expect it to come to the rescue of an abnormal situation such as this.

There is justice in what Mr. Linton says, but perhaps the insurance companies themselves have in the past placed too much emphasis on the investment side of their policies, the ability to borrow on them, the cash surrender value and perhaps laid too little emphasis on the thought that the one outstanding purpose of a life insurance policy is to provide protection in case of death.

## Radio and newspapers . . .

★ RADIO has been having its troubles, troubles which are the almost inevitable penalty of growth.

The Associated Press has called upon its members that they should limit news broadcasting, while the American Newspaper Publishers Association has gone on record as saying of radio programs:

Newspapers should not publish such programs free of charge and should publish them, when offered, only as advertising matter, to be paid for as other advertising is paid for.

The publishers, however, are apt to think twice about radio programs. With half or more of the homes in America having radios and with a possibility of extracting something from

them at almost any hour of the 24, the public is going to want the programs and what the public wants it is quite apt to get.

Meanwhile the authors and composers are after the radio or at least after more money from the radio. In support of their case they present some startling figures.

"Every night," says their brief, "sometime between 7:30 and 10:00 o'clock it is said that 16,500,000 radio receiving sets are operating and that more than 50,000,000 persons are listening."

Contrast with that their statement about phonographs:

A few years ago there were 8,000,000 phonographs in American homes and almost every one of these bought a number of new records each month. Royalties from sales of phonograph records, however, have between 1927 and 1932 dropped to one-fortieth of what they previously were.

Once a popular song sold 1,750,000 copies; now 100,000 is a heavy sale. Once there were 8,000 shops that carried sheet music; now there are 1,200. Yet folks hear more music than ever before.

No wonder the newspaper is uneasy about the radio's advertising power. No wonder the song makers hope for larger royalties.

## Forerunners of inflation . . .

★ WHETHER it be the promise of inflation, or a business recovery based on sounder things, prices are starting upward in myriad lines.

Take these items from a single column of business news published days before the Thomas inflation amendment was passed:

Manufacturers of domestic china notify the trade that prices on all lines of dinner ware will be advanced ten to 20 per cent around the middle of this month.

Joshua Bailey & Company announced a one-half cent advance in Erwin flannels and in Canton flannels. The Pepperell Manufacturing Company advanced all its blanket styles approximately ten per cent.

An advance of four to ten per cent in hard surface floor coverings was announced at the offices of the Congoleum-Nairn Corporation. The increase is attributed to rising costs of burlap, cork, linseed and other raw materials.

As a result of the advance in leather quotations men's and women's suede jackets have been moved up in prices 25 cents each by some mills.

## A problem in distribution . . .

★ ONE fact that is constantly blamed for the depression is overproduction. We used that word very fluently in 1930 when it became plainer that depression was to be long-lasting. Then "underconsumption" was substituted for overproduction and that was blamed. We didn't produce too much, we used too little, a change of words rather than of facts.

But did we really produce too much in those years from 1922 to 1929 so that we were doomed to abstemiousness while we absorbed that overproduction or let it rot?

President Roosevelt in his reassuring speech on the evening of May 7 said: "We have found our factories able to turn out more goods than we could possibly consume."

Certainly we never did turn out, one may question if we were able to turn out, much more goods than we'd like to consume. We did turn out more than we knew how to get into the hands of the consumer. Our automobile factories can, we are told, turn out perhaps 8,000,000 cars a year. Couldn't 25,000,000 families use a new car every three years if only work could be provided and wages kept fairly high? Surely they could use far more than the 1,200,000 that were turned out in 1932. There is hardly one of us who couldn't

use more of many things than he ever had in the most prosperous year of his life.

And figures don't support this talk of overproduction. Speaking at the meeting of the Academy of Political Science two years ago Carl Snyder showed some research work done by the Federal Reserve Board, and said:

We have plotted the growth of all the leading basic products, and this is the central fact they reveal: In hardly any instance was there a rate of increase in 1929 over 1928, or in the average growth from 1925 to 1929, that cannot be matched within the last ten or fifteen years preceding, and with no such economic convulsion following.

## Fort Huachuca . . .

★ DISCUSSING possible economies which would give this nation a more efficient military defense, Brig. Gen. Henry J. Reilly, O. R. C., declared in our March number that "Many of our present army posts should be abandoned." With his article he submitted a photograph of Fort Huachuca, Arizona, as one of these establishments.

Publication of this photograph in this connection brought a letter from the Bisbee Chamber of Commerce which reads in part:

Fort Huachuca was established in the late 'eighties. The Huachuca military reservation is the third largest military reservation now owned by the United States Government. The campaign against Geronimo and many other campaigns against other enemies have been directed from this fort.

The flat statement is made that the abandonment of Fort Huachuca would save money. It is easy to make a statement but difficult to substantiate it.

Any member of the General Staff and any officer who has served at Fort Huachuca will tell you that the abandonment of Fort Huachuca will not save money.

Again, you say that the abandonment of Fort Huachuca would improve our defense. Any writer who has knowledge of the western and southern border of the United States would never make an assertion of that kind.

The fact is that Fort Huachuca is the only military establishment between El Paso, Texas, and the Pacific Coast. Fort Huachuca is the only military establishment along the Sonora border. The entire defense of this country between the New Mexico-Arizona line and the Colorado River rests upon the garrison at Fort Huachuca.

And, that you may be informed of recent United States history, we may say truthfully that every Mexican revolution since 1912, with the exception of one, has originated in the state of Sonora. These revolutionary activities greatly concern all of us who live in immediate proximity to the Sonoran border.

## 100 years of change . . .

★ A PLEASANT sense of the fitness of things radiates from Chicago's determination to make her first hundred years of civic age signify to the world "a century of progress." That the persistent vision which translated the primitive stockade of Fort Dearborn into the opulence of America's second largest city should come to such a magnetic measure in a period of hard times is its own interpretation of the municipal motto, "I will."

Whatever other distinction Chicago has had to share in the public mind in deserving its fame as a center of the arts and sciences, it has contrived a tradition of industrial bigness with a lavish concern for the development and spread of a civilizing culture.

With the memory of the World's Fair of 1893 still green in the minds of men now in harness, the comparison of the world of 40 years ago will be acutely revealing of the new frontiers of science and invention. To the younger generation, the exposition offers an inviting opportunity to understand the underlying paradox of American life—that change is the only certainty, but an amazing and interesting certainty.

# The Thousand "If's" in Inflation

By MORRIS EDWARDS

## I. The Proposals

 NEITHER by chance, nor by pressure of grim necessity, but as a matter of avowed intent, the country is embarking upon the great adventure of inflation. Its first phase is the most significant change in national monetary policy since 1879. It would be difficult to conceive of a business relationship or transaction that will not be caught up in the process and profoundly affected.

Even in its simplest form, monetary inflation is the gateway to a thousand baffling "if's." In the present instance, however, inflation is being applied to a set of circumstances strikingly different from those usually thought of in connection with such experiments. Moreover, the objectives now sought are numerous and unusual. Then, to top it off, inflation at this time is being undertaken by methods quite out of the ordinary. As a consequence, the "if's" multiply well-nigh to infinity.

Why is inflation? Through all the talk of reasons or methods runs one common beckoning theme—to expand and revive business activity. That is the ultimate goal. Mileposts along the road toward that end include the forcible lifting of commodity prices, the easing of debt burdens, the strengthening of America's strategic position in international economic negotiations, and the reawakening of what had become an almost neurotic public state of mind. If, as many believe, the nation was frightened into the hospital of depression, perhaps it can be hoped and smiled out.

Even with respect to these purposes—and purposes can be indicated more accurately than methods can be explained and potential effects anticipated—the inflation now in process loses touch with the familiar precedents of history. Most inflations grow out of unbalanced government budgets, wobbling government credit, and the desire to seize upon any handy expedient to avert a day of fiscal reckoning. That is, inflation usually is used to provide paper money for public expenditures that could not be financed by ordinary methods.

The recent move here, however, has no such commonplace origin. The most herculean efforts have been made to

ALTHOUGH this country through its Congress has approved inflation, present conditions and the proposed procedure are such that no precedent exists to show what may happen. Here are some hopes and fears the course engenders

balance the federal budget, and the Government's credit position is consequently easier. Thus, at the very time inflation was being proposed, the pressure from the Government's own fiscal affairs was diminishing rather than increasing. With that factor removed, the purposes of the experiment now under way have to be found in the desire to achieve general economic objectives, and there is little experience by which the use of inflationary measures for such purposes can be gauged.

What is inflation? It is one of those Aladdin's Lamp words that mean all things to all men. Webster says that "to inflate" is "to expand or increase abnormally or improperly."

### Inflation's early stages

A HIGH official of the Federal Reserve System recently said privately:

To some people, inflation means only the collapse of currency, as happened to the Russian ruble and the German mark in the last stages of those inflations. But it does not have to come to that, and those violent episodes provide no key to understanding the early stages of an inflation.

In the early stages, it is almost impossible to distinguish business expansion resulting from inflation from business expansion resulting from normal and healthy resumption of economic activity. During the generation of increasing land values in Florida before the final boom and collapse, or during the almost ten years of rising securities prices before the final convulsive climax in Wall Street, no one could say positively that those advances were unhealthy. As a matter of fact, in both cases for a long time, the phenomenon was merely the rise of prices based on sound and growing values. So, when you think of inflation as applied to our affairs today, it is necessary to re-

member that we can do a lot of inflating from present levels of depressed values without reaching a price level out of line with the normal business activity of a nation of more than 120,000,000 people. The business man today needs to understand the early stages of inflationary movements, whether they be normal or artificial, rather than fretting about a final catastrophic collapse. That phase does not come for a long time, if, indeed, it has to come at all.

What is the procedure in this inflation? In a general way, it is simple. The President is authorized, in his discretion and not by mandate, to place in operation one, some, all, or none of five measures of inflationary nature which Congress has specified. The procedure, on at least two points, is as distinctive as the present purposes are unusual.

First, all of the methods to be permitted are outlined in advance. That is in sharp contrast with inflation by means of aimless drift from one expedient to another, with no one move being thought out especially in relation to the next.

Second, wide power is vested in a single executive authority—who may be able to exercise some control over events—rather than in the hands of frantic finance ministers and log-rolling legislative bodies—who usually turn out to be slaves of events and of their own previous actions.

What are the methods to be permitted under this general program? The first device is use of a process that has come to be called "open market operations of the Federal Reserve Banks." The limit placed upon such operations is \$3,000,000,000.

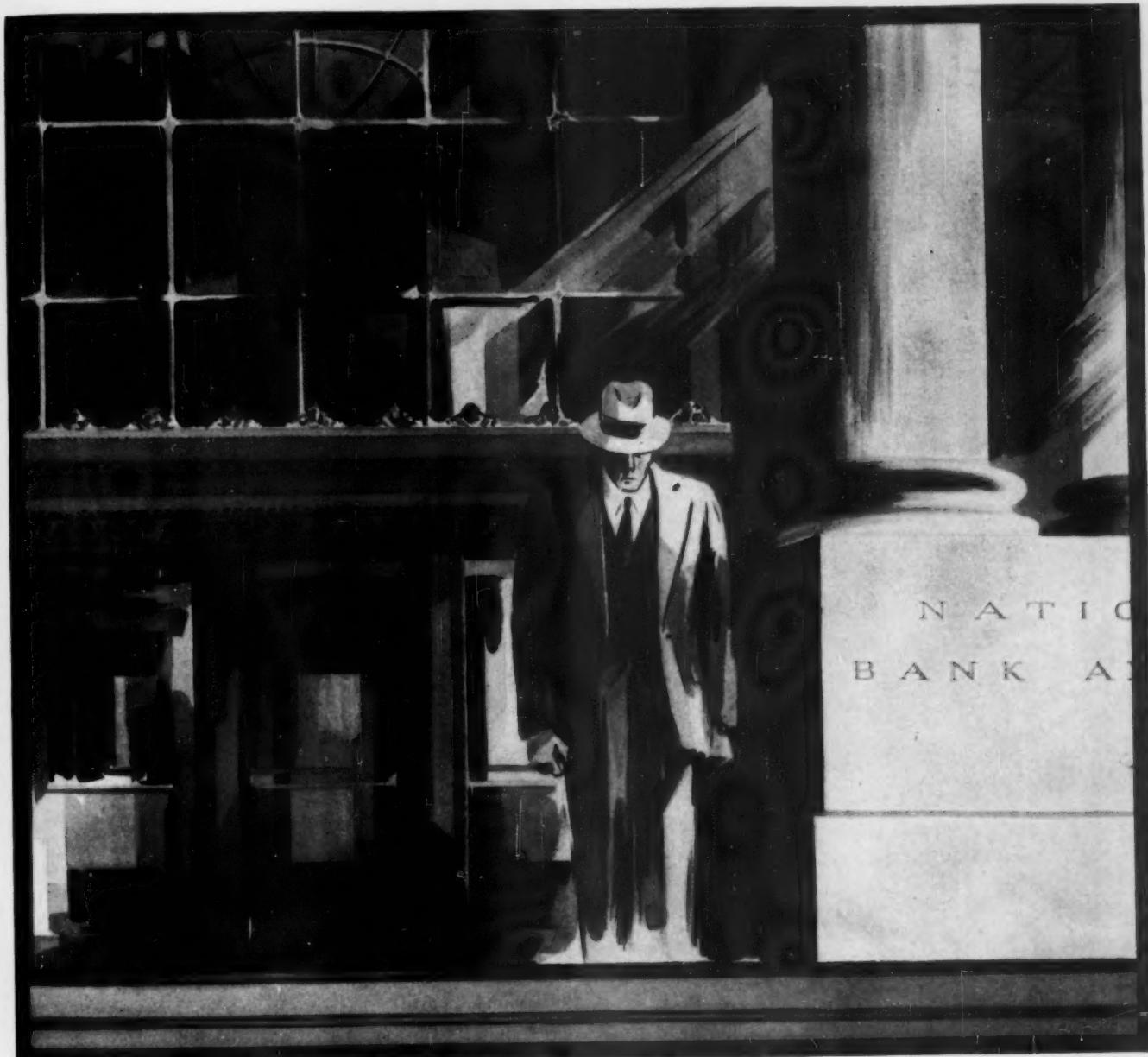
Then, if such operations prove inadequate, or for any other reason addi-

# WHEN YOUR BANKER SAYS, "NO"

Possibly you are the one at fault. The banker undoubtedly would accommodate you were your house in order. Your problem is to overcome present limitations of capital, real or fancied, by judicious management. It's surprising how far dollars will stretch when under *Control*. When buying, selling, making and spending are constantly under exec-

utive scrutiny, losses are prevented before they happen or checked while they are still young and small. With budgets balanced and expense governed to leave something for profit, the income statement must necessarily improve. Then borrowing becomes simple. But it requires operation guided by accurate, analyzed and current *Control Figures*.

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tional measures are required in the judgment of the President, he is authorized:

—to direct the Secretary of the Treasury to issue not more than \$3,000,000,000 of notes as provided in the Act of 1862 (greenbacks) for the purpose of meeting maturing federal obligations, with the notes to be retired four per cent annually;

—to fix by proclamation the weight of the gold dollar in grains nine-tenths fine at an amount that "he finds is necessary to protect the foreign commerce of the United States against the adverse effect of depreciated foreign currencies," or, in case of international agreement, to fix the gold dollar's weight in accordance therewith, but not reduce it by more than 50 per cent;

—to accept up to \$100,000,000 of silver in payment of obligations due from foreign governments, during a period of one year, and at a value of not more than 50 cents an ounce, and/or,

—to provide for the free coinage of silver at a ratio to gold which he might see fit to determine.

#### Open market policy

HOW are these things supposed to work? Take first the plan for \$3,000,000,000 of "open market operations." The Federal Reserve Banks would go into the bond market, just like any other purchaser, and buy United States Government securities. If these were bought from member banks, the selling bank would receive a deposit credit at its Federal Reserve Bank. If bought from other sellers, their accounts at their own banks would be credited, and their banks in turn credited at the Federal Reserve. The same device was employed on a smaller scale under President Hoover.

The idea is to put in the hands of the banks as much as \$3,000,000,000 of liquid funds in addition to the large liquid funds they already have, in the hope that they will lend the money to commercial borrowers whose activities would stimulate commodity prices and provide employment.

The only question here is whether the banks would keep the money idle, thus destroying the desired effect, or would lend it to their customers because of their necessity for earning a return on their assets. When the banks sell government securities, they give up assets which pay interest and get cash or deposit credit which pays little or none.

The hope is that the banks will lend it. The fear is that they will not. Discussing the matter with a small group, the president of a large middle western bank recently said:

We ourselves don't know how this phase of the inflation plan would work. We already have more than enough resources to provide accommodations to customers of sound credit standing. The trouble is that our usual customers are not using the credit which they can have. Providing us with more credit resources does not necessarily change our customers' frame of mind. On the other hand, if business activity or commodity prices should increase sufficiently to induce our customers to start projects or make commitments for which credit would be needed, it is conceivable that we well could use part or even all of the enormous credit which could be developed from this additional \$3,000,000,000. But no amount of liquidity is likely to persuade a banker

to lend, money to carry on expanded business operations.

The provision for having the government receive silver at 50 cents an ounce in payment of intergovernmental debts, if it should be used, would be intended to increase the market price of silver, provide additional currency based on silver, and complete a gesture of friendliness to the great silver-holding nations. In one sense also this provision is potential "trading material" in international negotiations.

A more drastic inflationary device is the one involving reduction in the gold content (now 25.8 grains, .900 fine) of the dollar. It has ramifications and possible effects—to say nothing of legal complications arising from contracts stated in dollars "of the present standard of weight and fineness" at time of execution—that stretch out limitlessly.

#### Higher prices in dollars

THE precise manner in which this plan would work, if used, is made hazy and obscure by the many conflicting, highly technical, theories surrounding the action of gold, but its generally accepted effect would be to depreciate the purchasing power of the dollar in terms of commodities, and thus increase the price of commodities in terms of dollars. Contracts calling for receipt of money—bonds, notes, mortgages, insurance policies, bank deposits, building and loan certificates, and all other obligations of fixed yield in terms of dollars—would be likely to be reduced in value, not in the terms written on their face, but in the purchasing power of the money called for by those terms. Conversely, contracts calling for the payment of dollars would be correspondingly lightened in burden. Fixed-yield obligations would call for the same number

of dollars that they always have, but the number of bushels of wheat, bales of cotton, etc., which would have to be sold to acquire the dollars to make such payments would be reduced.

The last possible method—coinage of silver at a ratio to be fixed by the President—is the reincarnation of Bryan and "Coin" Harvey and the 16 to 1 plan for which their names are famous. Depending upon the degree to which the ratio fixed would be lower than the existing ratio between the prices of silver and gold, the price of silver would tend to be increased. This, too, is a proposal whose workings and probable effects are much obscured by conflicting contentions and theories.

## The Procedure of Inflation

THE President is authorized, in his discretion, to place in operation one, some, all or none of these measures:

- ★ To negotiate with the Federal Reserve Board for them to purchase up to \$3,000,000,000 of government securities through open market operations;
- ★ To direct the Secretary of the Treasury to issue not more than \$3,000,000,000 of notes as provided in the Act of 1862 (greenbacks) for the purpose of meeting maturing federal obligations, with the notes to be retired four per cent annually;
- ★ To fix by proclamation the weight of the gold dollar in grains nine-tenths fine at an amount that "he finds is necessary to protect the foreign commerce of the United States against the adverse effect of depreciated foreign currencies," or, in case of international agreement, to fix the gold dollar's weight in accordance therewith, but not reduce it by more than 50 per cent;
- ★ To accept up to \$100,000,000 of silver in payment of obligations due from foreign governments, during a period of one year and at a value of not more than 50 cents an ounce; and/or,
- ★ To provide for the free coinage of silver at a ratio to gold which he might see fit to determine.

to make loans to persons or firms of doubtful credit standing and they seem to be the only ones from whom we recently have been receiving credit applications.

In the process involved, the issue of \$3,000,000,000 of greenbacks—unsecured United States notes—would be much the same as the "open market operations." It would take interest-bearing government obligations out of the hands of banks and other owners and in return would give them currency or deposit credit. Under both plans, the money would find its way into about the same institutions and private hands—the present owners of government bonds and interest-bearing notes. The hope would be that business men thus would be persuaded to borrow, and the banks

## 2 • Who Owes? Who Owns?

WHO will be helped, who hurt by inflation? Senator Thomas of Oklahoma, proponent of the inflation amendment, let the cat out of the bag when in a speech in the Senate he said:

Two hundred billion dollars of wealth and buying power now rests in the hands of those who own the bank deposits and fixed investments, bonds and mortgages. . . . If the amendment carries and the powers are exercised in a reasonable degree, it must transfer that \$200,000,000,000 in the hands of persons who now have it, who did not buy it, who did not earn it, who do not deserve it, who must not retain it, back to the other side—the debtor class of the Republic, the people who owe the mass debts of the nation.

I have said that the Senator let the cat out of the bag. What he did let out of the bag was not so humdrum, commonplace an animal as a cat, but rather a mythical monster, perhaps a hippocriff or a unicorn, for the Senator's statement seemed to be based on the most questionable assumption that the population of the United States divides itself naturally and definitely into two classes, a small group of those who own and a great group of those who owe—that the creditor goats can be divided from the debtor sheep.

The Senator seems also to be suffering from the delusion that a very few persons in this country have practically all the wealth—the old, oft-quoted and always unproven statement that five per cent of the population have 95 per cent of the wealth (the statement takes different forms).

Returns of incomes for 1931 throw a little light on this point. Only 3,000,000 returns were made for that year. Let's call a millionaire a person who returns an income of \$50,000 or more. There were about 11,000 of them that year and they had less than ten per cent of the *reported* income although they contributed 63 per cent of personal income taxes. It must be remembered also that the 3,000,000 income tax reports represent only a small part of the income and wealth of the country.

As to who are debtors and who are creditors, it is plain that no one can divide the world into the two classes, owners and owners. Many, perhaps most, of those who would be affected by inflation both owe and own. If I have money in the bank and a mortgage on my house, the bank owes me and I owe the holder of the mortgage.

In which class is a stockholder? Most of us think of him as being in the owner class, but as Professor Kemmerer of Princeton recently pointed out, the largest debtor class in the United States is the stockholder. Said this expert on public finance:

Our principal creditor in the United States, on long-time account, is the bond-

holder, and, inasmuch as a large proportion of our debts consists of corporation debts, the largest single class of debtors is that of the stockholders, the class which owns the corporations that owe the debts expressed in the bonds. Corporation debts (long- and short-term bonds, and notes) in 1932 are estimated by Irving Fisher to equal about seven times the volume of farm mortgages and other agricultural loans combined.

A great part of our bonds is owned by insurance companies, savings banks, and other banks, universities and colleges, scientific, charitable, benevolent and other welfare institutions in their endowment funds, by pension funds, and by widows and orphans, and other beneficiaries of funds held in trust. These creditors are our most conservative investing classes—classes whose welfare is a matter of such great social importance that we protect many of them by special laws which restrict the investment of trust funds to a limited and supposedly safe field of investments. In these restrictions, bonds and mortgages are favored, and investments in equities like common stocks are usually disfavored.

So that a great part of Senator Thomas' "people who owe the mass debts of the nation" are the people who own the corporations.

If Senator Thomas had declared that the purpose of the amendment was to take from the solvent to give to the

insolvent, he might have been more nearly right.

But where does the Senator get his figure of \$200,000,000,000 which is to be transferred to the other side of our great national ledger—to "the people who owe the mass debts of the nation"? Figures as to the total amount of debt existing in the United States are at best estimates but the highest of them don't get beyond \$175,000,000,000 and most of them run nearer \$150,000,000,000. Here are some recent figures:

United States Government	
debt	\$21,000,000,000
State and City	14,000,000,000
Listed bonds (face value)	52,500,000,000
Urban mortgages	27,000,000,000
Farm mortgages	9,500,000,000
	\$124,000,000,000

To that must be added bonds not listed on the stock exchange, debts of partnerships and individuals other than by mortgage, etc. These would raise the total but leave it still far below the Senator's \$200,000,000,000. Moreover, \$35,000,000,000 of the debt is federal, state and city and for that we are all responsible. It may not be unfair to say that so far as those debts are concerned we are all in the debtor class.

Certainly the proposal of taking a \$200,000,000,000 burden off the shoulders of the many and putting it on the few is a dim and distant vision.

## 3 • What of the Individual?

HOW and to what extent will inflation affect the individual? Will the merchant profit more than the salaried man? What classes of the community will be affected?

Such questions put to economists and bankers will be met by other questions: How much inflation shall we have? Will it stop with efforts to expand credit and perhaps the issuance of a restricted amount of new currency, or shall we go the reckless route of rising prices, more money, still higher prices, still more money, until we reach chaos and all old values are destroyed?

Let us assume that we have a limited increase in credit facilities and additional currency which are the first two provisions of the Thomas amendment. The purpose is to raise prices, and that means lower the value of money. Where we had 50 cent wheat we shall have dollar wheat or to turn it around, where we had the two bushel dollar we shall have the one bushel dollar. If it all worked out evenly we should have, instead of the \$5 a day workman and the \$50 a week salesman, the \$10 a day workman and the \$100 a week salesman. Interest ought to go up so that the five per cent a year on \$100, or ten bushels of wheat, would be ten per cent and still be ten bushels.

If it worked out like that, all would

be lovely. All of us would feel richer, and none of us would be.

It doesn't, however, work that way. Prices may go up but wages and salaries go up more slowly and interest from fixed investments stands still in dollars and drops in buying power. In theory, then, where a country inflates the wise man is he who borrows promptly and turns his borrowings into commodities which will rise in price. In practice that's a doubtful course. Inflations are likely to end, like blowing up a toy balloon, in an explosion with little of value left. Few of us who have been brought up to put our savings into savings banks or government bonds or mortgages are equipped to deal profitably with a rising commodity market, or to add to our possession of actual things with the idea of selling them at the right moment.

If Mr. Smith, who works all day in the office of a coal merchant and has \$2,000 in a savings bank, should draw out that money and with it buy a \$2,000 diamond for his wife, telling her that he did it because Congress had or might adopt an inflation policy, she would probably think he had suddenly gone daft.

But we can take a few typical cases and ask how inflation will hit them, on the assumption that we get not chaos with billion dollar postage stamps, but

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Q.—A man owns his house, free and clear, nor is he in debt in any other way. He works on a salary and has no occasion to make bank loans. He has an adequate amount of insurance and a few thousand dollars (par value) in stocks and two or three bonds. Will he be hurt or helped?

A.—His house will have a higher selling value, but if he does not care to sell it, of course, he will realize nothing at present from that. Since he has no debt upon it, he can gain nothing by the payment. If he owns bonds he will lose in so far as his income from them loses in general purchasing power or, in other words, as the cost of living rises. He might well benefit from his stock ownership as a result of improvement in business conditions.

Q.—Another man has just received \$5,000 through the paying off of a mortgage. He doesn't want the money idle even in his bank. It's a substantial part of savings, and his training tells him to put it into a government or other very high grade bond or to invest it in a high grade mortgage. Should he seek a new place for his money?

A.—The \$5,000 will depreciate in value in any high grade bond or first mortgage to the extent to which prices in general rise. If such a man wishes to share in the expected prosperity he must own real estate or some kind of common stocks. There is, of course, no guarantee that he will gain by such investment and it requires some special knowledge and alertness to watch such investments but if inflation "works" that should be the result.

Q.—Three men live in neighboring houses of about the same value. One man owns his house free and clear. One man owns his subject to a mortgage for about all it will stand while the third rents his. Assuming that these men have practically the same amount of income from the same sources which of the three is best off under inflation? Or, is there no real difference in the way they are affected?

A.—The man living in the rented house may have to pay higher rents if inflation gets well under way. The man who owns his house, mortgaged, will be benefited by having his money income increased and his equity correspondingly increased. It is probable that his money income may be increased so that it will be easier for him to pay

the interest on, and principal of, the debt. The one who owns his house free and clear would be benefited perhaps by an increase in property values, but less than if he had mortgaged his property. Of the three the man who is in debt would have the best chance of making an actual gain.

Q.—Take three other men of equal income. One draws his from a trust fund or a pension; another has a fixed salary, while the third gets his living from commissions on sales. It is obvious that the first man would suffer under inflation since he has no chance of increasing his income measured in money and measured in buying power it would be less. Would the other two be adversely affected? Would they be affected to the same degree?

A.—The man with a fixed salary might be able to obtain an increase if business prospered, but it is probable that that increase would lag behind the increase in the cost of living. The man living on commissions would also be affected by a loss in the purchasing power of his commission, but would have more chance of being helped by business stimulation.

Q.—What about a farmer in Iowa whose farm is unencumbered. If prices go up, which is the announced purpose of the inflation plan, wouldn't he be better off? Or would the prices of what he buys and what he sells rise at so nearly the same rate that he would

be neither better nor worse off? What of his neighbor whose farm is mortgaged. Would not he be helped more?

A.—The owner of the unmortgaged farm probably would get more for his products, but the value would be offset by rising prices for his purchases. However, it may well be that the prices of farm products would rise faster and perhaps further than the prices of the manufactured goods he buys so that he would for a time appear to be better off than the town dweller. The farmer with a mortgage will, of course, be helped more proportionately than his neighbor without one. It will, if inflation follows its expected course, take fewer bushels of wheat or pounds of hogs to pay the interest than it did in 1932.

Q.—Here's a man who has a paid-up insurance policy for \$10,000. His position is fairly clear but what of the man who contemplates taking out a policy?

A.—The proceeds of the paid-up policy would, if inflation takes its historic course, be worth less in bread and butter and shoes and rent than they were worth last year. However, a limited inflation might help the position of insurance companies by making their mortgage holdings more collectible as to interest and principal and that latter statement would apply to a man contemplating insurance. After all, his payments would have to be made in current money and, if that money were worth

less, then the goods or services which he has to sell might be worth more and his income, reckoned in dollars, higher. For the prospective insurer, the situation might well work into something approaching a balance.

Q.—Here's a merchant who has a stock investment recently at current prices of \$10,000. He has about \$5,000 in cash, owes his bank \$5,000 and has another \$10,000 due from customers. What of him?

A.—In theory he should add to his inventory before prices rise and try to collect what is owed him for that purpose. Still talking theory, any chorus of inflationists would sing "The more we owe, the better we are." It is true that a period of inflation offers opportunities for merchants to make money such as periods of deflation cannot. People may readily be tempted to buy by a feeling that money is going down and goods are going up. But, on the other hand, merchandising calls for great alertness in times of inflation.



"Well, Here Goes!" An inflation cartoon by Darling in the New York Herald-Tribune

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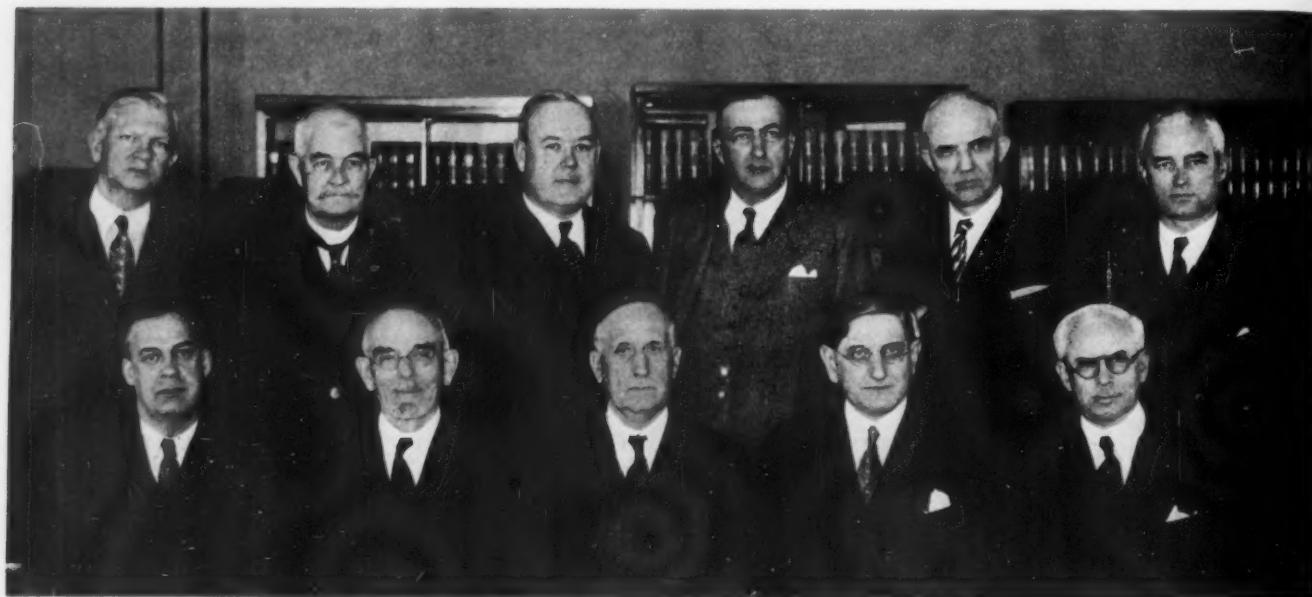
## METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT • • • ONE MADISON AVE., NEW YORK, N. Y.

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# The Railroads' Need for a New Deal

By A. B. BARBER Manager, Transportation and Communication Dept., U. S. Chamber



UNDERWOOD & UNDERWOOD

The Interstate Commerce Commission. Some of its duties would be assigned to a Coordinator under President Roosevelt's proposed plan for solving railroad problems

THE launching of the President's program for dealing with rail transportation problems brings into focus a battle which has been raging for some time. The chief participants are:

*The Shipping and Travelling Public*, interested in low rates and good service by whatever means of transportation;

*Labor*, reluctant to yield more than it has already done in recognition of decreased railroad earnings and reduced living costs;

*Stockholders*, represented by managements proud of performance in the past decade and laying principal responsibility for present difficulties to unsound regulation, unregulated and subsidized competition and hampering restrictions upon rail carriers;

*Bondholders*, insisting that their interests and those of millions of insurance policyholders and savings depositors shall not be sacrificed unless and until every possible economy measure has been applied;

*Competing Transportation Agencies*—motor, water, air and pipe lines—alleging that much obsolete and expensive rail service must give way to newer and more economical forms.

Although the shipper and the public have, in the main, been merely bystanders in this battle, they have a large stake in its outcome.

The present situation dates back to 1920 when the railroads were handed back to their owners after a period under government control. The Transportation Act, passed at that time, included provisions intended to assist in reestablishing them on a sound and permanent basis.

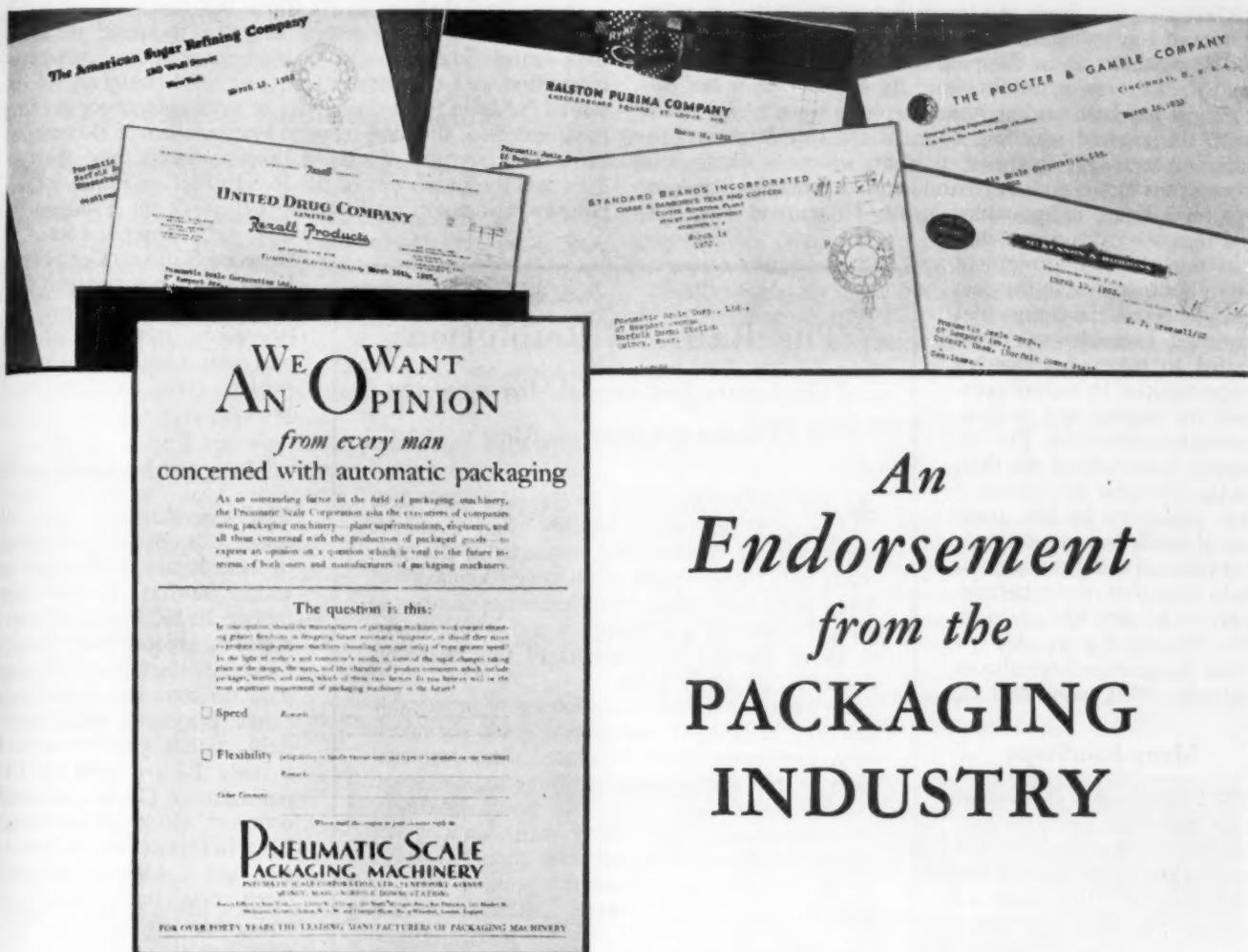
Had these provisions—especially those regarding rates

TO UNDERSTAND President Roosevelt's proposals for dealing with the railroad situation it is necessary to know just what that situation is and that it affects you, even if you have no actual dealings with the roads

and consolidation—been decisively enforced, the railroads would have been in vastly better position to meet depression. The possible economies and other strengthening effects of consolidation would have been more generally applied. The hope of ultimately receiving a "fair return" would not have been continually held out before the railroads. The feasibility of establishing, through the Recapture Clause, a "general railroad contingent fund" to assist weaker carriers in times of depression would have been tested.

(The fund contemplated in 1920 was \$500,000,000, and if the railroads as a whole had been permitted to earn a fair return before the depression, the accumulated fund might conceivably have been greater than all the loans made to railroads by the Reconstruction Finance Corporation and Railroad Credit Corporation with fewer applicants for loans.)

This does not imply that non-execution of these features of the Transportation Act is solely responsible for railroad



*An Endorsement  
from the  
PACKAGING  
INDUSTRY*

*Of Interest to Every User  
of Packaging Machinery*

In February of this year we asked executives of concerns using packaging machinery to express an opinion on a question we believed was vital to them and to us. That the question was vital is demonstrated by the interest this advertisement created and the character and number of replies received.

The consensus of opinion as expressed by executives who answered this question clearly indicated that the policy of the Pneumatic Scale Corporation

in designing packaging machinery which embodies a maximum of flexibility, consistent with practical operation, meets the general approval of the users of packaging machinery.

Pneumatic's accepted high standing in the packaging machine field has been achieved and maintained by its constant endeavor to anticipate definite packaging needs and trends with suitable and dependable automatic packaging equipment.

# PNEUMATIC SCALE PACKAGING MACHINERY

PNEUMATIC SCALE CORPORATION, LTD., 67 NEWPORT AVE.

QUINCY, MASS., (NORFOLK DOWNS STATION)

Branch Offices in New York, 117 Liberty St.; Chicago, 360 North Michigan Ave.; San Francisco, 320 Market St.; Melbourne, Victoria; Sidney, N. S. W., and Trafalgar House, No. 12 Whitehall, London, England

*When writing to PNEUMATIC SCALE CORPORATION please mention Nation's Business*

difficulties. Far from it. Increasing competition of other forms of transportation has contributed to those difficulties. Opinions differ as to the part this competition has played and the fairness or unfairness of its various forms but certainly it has been an important factor in some areas. Along with the gradual whittling down of the rate structure, increasing taxes, the threat of recapture of excess earnings in prosperous times and the inability to accumulate surpluses for hard times, it has added greatly to railroad problems.

From other directions, despite remarkable improvement in railroad service in the past decade, comes the charge that railroad managements have failed to take advantage of opportunities to reduce competitive wastes and achieve operating economies. For example, it is pointed out that, in the '70's and '80's before it was prohibited by law, pooling of traffic between competing railroad systems was common but that since permission for pooling was given by the Transportation Act of 1920 the carriers have almost entirely failed to practice it.

### Many handicaps

THE railroads themselves now recognize many opportunities for savings in this and other ways but in explanation of the lack of greater progress they point out that shippers and regulating authorities have resisted some of the economies already attempted, such as reductions in service or abandonment of unprofitable branch lines.

These handicaps and the shrinkage of traffic volume due to the depression have brought many railroads to the threshold of adjustments so violent and destructive that the controversy leading up to the submission of the President's program has shifted from the question of a fair return to the stockholder under the provision of the 1920 law and has centered upon the railroad bond. For months, participants in the controversy have largely been engaged directly or indirectly in attacking or defending the claims of the railroad bondholder.

The "emergency" steps taken within the past year and those now proposed are largely for the protection of the bondholder's interest. They are justified in the public mind by the fact that considerably more than half of the railroad bonds are held by savings banks, insurance companies and other fiduciary institutions. The Interstate Commerce Commission in its decision in the 15 Per Cent Rate Case (*Ex Parte* 103) flatly turned down the carriers' pleas for rate increases on the basis of a fair return even though the carriers themselves, recognizing the practical limits imposed by the depression, asked for much less than the five and three-quarters per cent which the Commission ten years before had adjudged to be fair.

In the final decision in *Ex Parte* 103 dated December 5, 1931, the Commission stated that the increases awarded were found "justified only to assist some of the carriers in connection with the payment of their fixed charges." An essential factor in the decision was an arrangement for pooling the proceeds of the increases and lending them to necessitous carriers for payment of interest, taxes and other fixed charges. This and the provisions of the Reconstruction Finance Corporation law savor much of the purpose of the Transportation

Act's never established "General Railroad Contingent Fund" and, in a measure, fulfill its functions. Thus the emergency measures of the past year admitted the bondholders' claim to a preferred position.

### Low stock earnings

THE stockholder is, of course, also deeply interested in the solvency of the road in which he has invested his money. In 1932 railroads representing more than three-fourths of the Class I mileage paid no common stock dividends. Dividends which were paid in that year amounted to only 1.1 per cent on the par value of Class I railroad common stock outstanding. Thus in this period of depression the holder of railroad stock, like the investor in equities in other lines of business, has suffered the consequences of impaired earnings.

It should be borne in mind that the only railroads still paying common stock dividends are those with strategic location or strong financial condition representing past accumulation of earnings belonging to stockholders. Such roads have justifiably had a high investment rating and their stocks are in general widely distributed among small holders, many of whom are dependent upon payment of the dividends.

The par value of outstanding railway stock, dividend-paying and non-dividend paying, is about \$10,000,000,000. As the funded debt is about \$13,000,000,000, the total capitalization is some \$23,000,000,000. Estimates of value prepared by the Interstate Commerce Commission's Bureau of Statistics on several different bases and presented at a congressional hearing in February, 1932, ranged from \$22,000,000,000 to \$24,000,000,000.

While these figures are not strictly comparable with those for the total capitalization they give a rough idea of the relationship and do not, on their face, seem to indicate excessive capitalization.

Yet, from various directions, come sweeping charges that the railroads are generally overcapitalized and that their capital structures must be scaled down. This is undoubtedly true of some roads but an analysis of the charge must consider the conditions of the railroads as a whole and the widely differing conditions of the various railroads. Because

## The Railroad Resolution

of the Twenty-first Annual Meeting of the  
U. S. Chamber of Commerce, May 5, 1933

★ DEVELOPMENTS of the past year have brought out more forcibly than ever the importance of the financial problems of the railroads from the viewpoint of all interests concerned. There have been extensive adjustments of rates to meet the necessities of shippers and permit traffic to move. Further adjustments of this character should be promptly made.

To meet the present situation every practicable economy in railroad operation is obviously necessary. Emphasis should be placed upon responsibility of management for all operating costs and management should be given freedom to discharge this responsibility. Voluntary consolidations not unduly restrictive of competition should proceed.

The Chamber has heretofore pointed out the need for savings through better unification of terminal facilities and their joint use in appropriate cases. There is need for the application of the same principle through cooperative arrangements by pooling and otherwise. Such measures should be worked out by voluntary action of the carriers concerned with assistance of the government. Adequate provision should be made for shippers and other interests concerned to be informed of any proposed changes and to make known their views to the representatives of the carriers or public authorities. In dealing with questions of rates the quasi-judicial commission procedure should be maintained.

Government support of railroad credit in this emergency is justified by the public interest in the railroads and should be continued with due regard to the future financial prospects of each carrier.

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of the interrelationships of rail and other forms of transportation, it ramifies into a consideration of practically the whole transportation problem.

### Low returns for the bondholders

IT is important to have a clear understanding of the nature of our railroad bonds. An outstanding characteristic of most issues is long term of maturity and low interest rate. Of the ten billions of long term bonds now outstanding more than two-thirds were issued before the World War and the interest rate on more than two-thirds is 4½ per cent or less. Here at the outset are striking reasons against any general proposition for scaling down railroad bonds. In the main, they represent savings and investments of the prewar years when the purchasing power of the dollar was higher than it is even under today's deflated conditions.

Certainly there is no equitable ground for feeling that those who thus invested their money have been or are being overpaid for its use. As they took their medicine stoically during the past decade and a half of reduced purchasing power of the dollar, it is not surprising that they should now be unwilling to step forward and make additional sacrifices.

Furthermore, if railroad bonds should generally fail to be depression-proof, future railroad financing would undoubtedly be more costly, which would tend to raise railroad rates and lower wages.

But, aside from the question whether as a matter of equity

and wise financial policy, bondholders should be paid dollar for dollar of interest and principal, the practical question today, according to those who would scale down the fixed charges of the railroads, is whether the carriers will in the future be able to meet these obligations—in other words, whether the bondholder's investment was a wise one. This is a fair question, but a fair answer must take into account the fact that railroad transportation has peculiar characteristics as a regulated industry, with certain consequent responsibilities resting upon the Government which, as we have seen, it has not entirely fulfilled.

Furthermore, each particular railroad company and its future earning ability must be considered separately, as well as the status and claims to which each particular security issue is entitled.

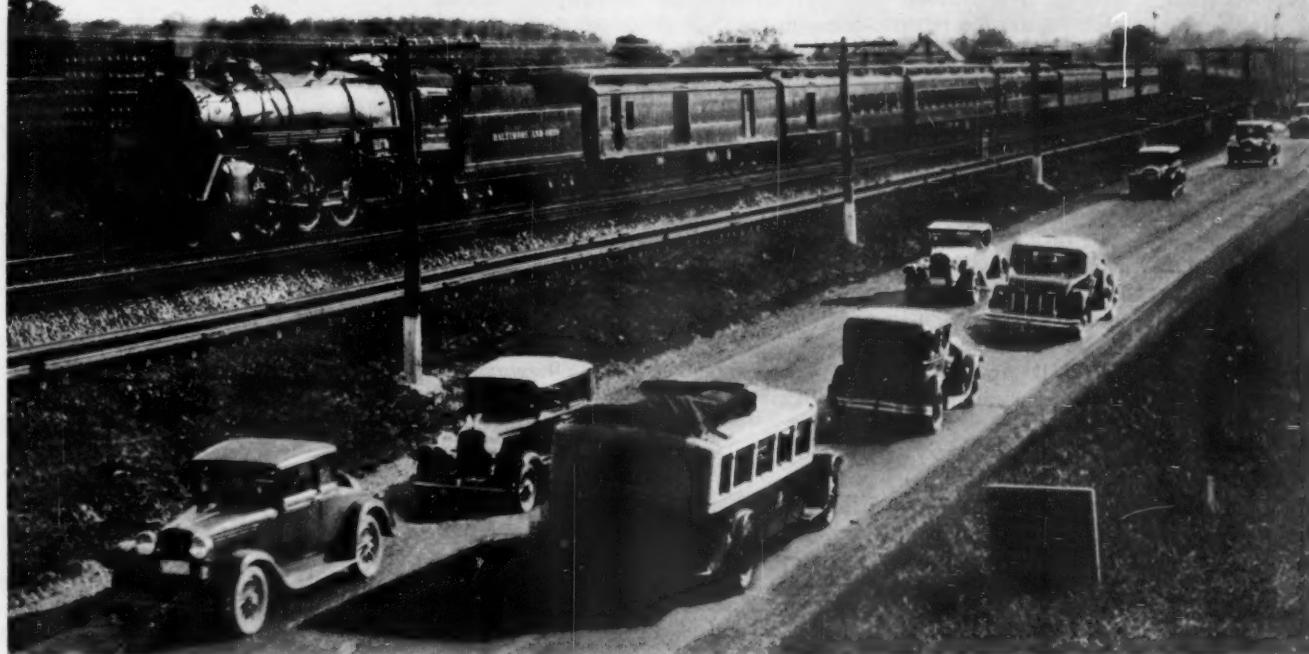
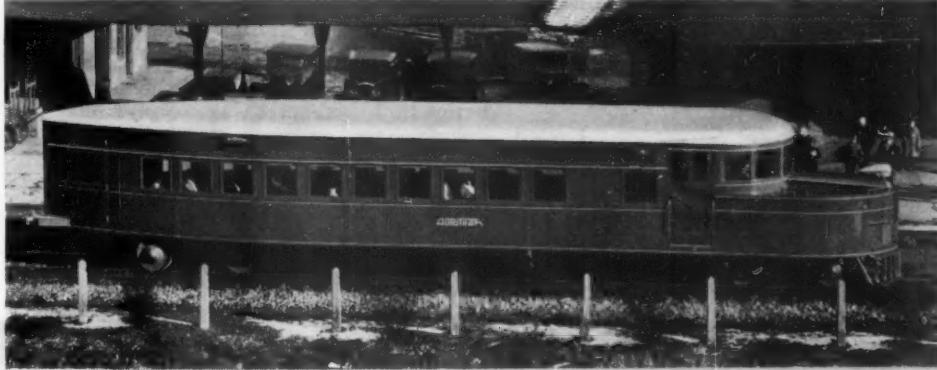
### Many companies are in good shape

VIEWED from these standpoints, it will be found that many railroad companies are clearly solvent even under present conditions and offer excellent future earning prospects. At the other end of the scale there are now in receivership, or engaged in reorganization proceedings under the new Bankruptcy Act, companies representing about 12 per cent of the Class I mileage and doing eight per cent of the total business. In between lie companies which at present are having difficulties in meeting their obligations, but which, even with a moderate upturn in business, should be out of the financial

(Continued on page 56)

**The Autotram is one of the new developments proposed to increase railroad efficiency**

JOHNSON & JOHNSON, INC.



HOTYDZAK

**Competition from other forms of transportation has contributed to the railroads' difficulties as have reduced rate structure and increases in taxes**

# They Get Their Money's Worth

By JOHN H. HANNA President, The Capital Traction Company

IN THESE days of retrenchment and curtailment of every business expense, many executives have turned appraising eyes upon their companies' expenditures for dues in trade associations.

This item of expense has faced the same cold question—"what are we getting out of it?"—as has every other item.

Evidence which my committee has assembled indicates that most trade associations have kept step with the times, that they have checked and re-checked their programs and services to a point where today they are giving their members definite, concrete, dollars-and-cents return for their membership dues as well as services which are of quite as concrete value even though the returns are received less directly.

One of the older associations, United Typothetae of America, an organization of master printers formed in 1887, lists a few current examples of the dollars-and-cents value of its marketing department's services to members. It quotes a letter from Member A (his name is withheld for business reasons):

"The samples you sent us helped us to retain an old account. This sale, for 175,000 folders, amounted to \$3,000."

Member A's rather handsome return from his membership is approached by others. Member B writes:

"Your samples lent confirmation to our arguments and helped make a sale of 500 catalogs for about \$500."

Member C remarks that "your jewelry advertising service was a great help and I got the order for 10,000 folders and envelopes."

Another Typothetae service is strongly endorsed by members even though returns from it cannot be exactly appraised in terms of dollars and cents. This is Typothetae's yearly study of members' annual balance sheets, operating statements and cost reports, the results of which find expression in its "Ratios for Printing Management." These ratios supply a yardstick by which a master printer can measure his costs, returns, etc., against those of other printers.

Referring to this service, the George H. Buchanan Company, Philadelphia, writes Typothetae headquarters:

"We find this very valuable informa-

MR. HANNA, of the U. S. Chamber's Trade Association Department Committee, raised a question and got some answers. They're significant in the light of legislation proposed at this writing, imposing new responsibilities upon trade associations

tion, not only by way of comparison, but as a more direct study whereby we can improve our management."

The Canadian Bank of Commerce writes that this service "is exceptionally valuable for anyone either trying to operate a printing company or for a banker trying to form a judgment of the soundness of a printing operation."

## Saving court expenses

TO ANOTHER organization, the Silk Association of America, Inc., a member firm writes:

"Availability of arbitration service through the Silk Association has saved us approximately \$15,000 in litigation expense in the past year. The three cases in dispute between ourselves and a customer involved \$51,807 and were settled by your Arbitration Bureau within five weeks."

Regarding another activity of the Silk Association, a second member firm writes:

"We had a burglary some time ago, but through the records of your Missing Property Bureau the burglar was apprehended, about \$40,000 worth of merchandise was recovered, and the guilty parties sent to prison. This fact, together with the various contacts which we have made through your organization and the valuable information which we have received through you, assures us that Silk Association membership has been a profitable arrangement for this company."

Another trade association with a record of valuable services to its members is the National Retail Hardware Association.

"Your service has meant so much in my business career," declares one of its members, "that I hardly know how to go about expressing my feelings."

He pictures his situation in 1929—bills payable, more than \$10,000; bills receivable, more than \$17,000; and a \$25,000 stock of merchandise. His business presented a vastly different aspect three years later.

"All this indebtedness had been wiped out," he states, "bills receivable had been reduced to \$7,300, we had more than \$3,000 in cash in the bank, our merchandise inventory had been reduced to less than \$17,000, and our stock was in better condition than ever before. We have been able to take all our cash discounts without the addition of any borrowed capital. Of course, the Business Control Plan set up by the Association, carefully followed, together with the analysis and recommendations from the Association office, is wholly responsible for this job. The only thing that I personally take credit for is that I took the medicine that the doctor prescribed."

No less concrete than this hardware retailer's returns from his trade association are those cited by real estate men from membership in the National Association of Real Estate Boards.

There is G. A. Edminster, of Wichita, Kan., for instance.

"I shall never forget the address 'Maps, Charts and Graphs as Aides in Selling Real Estate,' given by Sales Councillor Berge at the Louisville convention," Mr. Edminster says. "To me this one address alone, given out by the National Association of Real Estate Boards, was worth more than all



# "We reach only 1 out of 10 possible customers . . . that's depending too much on chance . . . it's DANGEROUS BUSINESS"

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THIS is no time to "whisper" about the things you sell, or to sit back patiently "wishing and waiting" for orders.

Constant and vigorous cultivation of the "prospect list" is most important today because nearly all old customer lists contain many names whose purchasing power has been seriously curtailed.

Use Addressograph and Multigraph machines to build up your lists, to keep your sales records, to

produce and distribute your sales promotional material—quickly, accurately, at very small cost. That is the way to reach 100% of your possible customers.

Send for the Addressograph-Multigraph representative. You will find him a gold mine of practical information gained from our company's contact and service with 160,000 users. See if he can show you how to make money using Addressograph-Multigraph, paying out of savings.

Consult the "Where to Buy It" section of your telephone directory for name of nearest Sales Agent, or write direct to Addressograph-Multigraph Corporation, Cleveland, Ohio. See our exhibit at *A Century of Progress*, Booths 7-8-9, Group J, First Floor, General Exhibits Building.

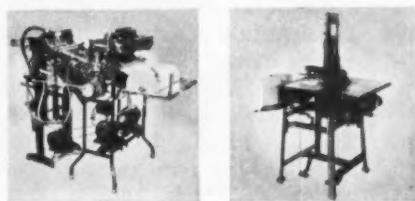
## Addressograph-Multigraph Products

MAKING AND SAVING MONEY FOR EVERY KIND OF BUSINESS • EVERY DAY

Use Certified Addressograph-Multigraph Supplies to assure the finest possible quality of results, at the lowest possible cost.

**Model 57 Heavy-Duty Multigraph** — Reduces advertising and selling costs as much as 40%. Handles a wide range of forms. Easy terms.

**Model 1100 Addressograph** — A speedy, low-cost, electrically operated Addressograph for a wide range of applications. Easy terms. Ask for demonstration.



*When writing to your local ADDRESSOGRAPH-MULTIGRAPH dealer please mention Nation's Business*

# DETEx

and Detex Alone

offers you complete service  
on Watchmen's Clocks and  
Supervisory Systems



Detex offers the only complete line of Watchmen's Clock and Supervisory Systems. It includes Magneto Recorders with Flush and Surface Type Generator Stations, and Dials—Portable Clocks—4 Models—with Flush, Surface and Storm-Proof Stations—Keys and Dials and all Accessories—also single Station Guardian Clocks and Police Registers.

And more important, every Detex Product is especially built for watch service by the leading company with 60 years' experience and more than 50,000 systems in service. Write us on your problem.

Look for the nearest Detex Dealer in the classified section of your local telephone directory under "Watchmen's Time Clocks." Representatives are located in all principal cities. Complete information on request. Approved by the Underwriters' Laboratories, Inc., and the Factory Mutuals Laboratory.

**DETEx WATCHCLOCK CORPORATION**  
4153 Ravenswood Ave., Chicago, Ill. 29 Beach St., Boston  
80 Varick St., N.Y. Room 800, 116 Marietta St., Atlanta  
NB-6

**DETEx**  
WATCHMEN'S CLOCKS

NEWMAN ★ ECO ★ ALERT ★ PATROL

When writing please mention Nation's Business

the cost of attending seven national conventions in all sections of the country because it was around this plan that we built our property briefs to tell our story through the prospect's eye instead of his ear. Inasmuch as our sales for the past seven years exceed seven million dollars you can appreciate the importance of this plan in our system."

W. H. Moore, Vancouver, British Columbia, also has reason to think highly of National Association Sales Councilors. "As a result of the discussion on 'Closing the Sale' by the sales councilor," Mr. Moore says, "I managed to close a \$6,000 deal."

From out in California, Realtor George D. Robertson writes:

"My regular attendance at National Association meetings has given me an opportunity to exchange ideas with the most successful American and Canadian realtors. This has resulted in business-building ideas which I have used in my own business. I have received handsome dividends in knowledge from such contacts."

Laundryowners are also quick to cite dividends received from their trade group, the Laundryowners National Association of the United States and Canada.

Concerning some of its services, Member Grace D. Robertson, Robertson's Laundry and Linen Service, Saginaw, Mich., writes:

"By following your instructions on the pressing of washsuits, the improvement in our work made every suit sent us a 'repeat order' during the entire summer. Second, in this year when cutting expenses has been so necessary, we appreciated the information that we could claim exemption from the tax on our electric power. Third, your 'Non-Taxable Pay Roll Check Suggestion' has been received and will mean an additional economy. Any one of these three items has been worth more to us than the price of our annual dues."

### Individual help to members

ANOTHER activity of the Laundryowners Association elicited a letter from Member F. Norbert Cannon, general manager of the Franklin-American Laundry and Dry Cleaning Company, Columbus, O.:

"Your report on the damaged drape enabled us gracefully to refuse settlement for something that was not our fault and which would have entailed a claim expenditure of about \$150. Such service is only another example of the value of the Association and the American Institute of Laundering to all firms in our industry."

Milk dealers, too, find cooperation within their industry decidedly worth while, according to the testimony of R. C. Fisher, vice president of R. F. Worden & Sons, Inc., a Waterbury,

Conn., member of the International Milk Dealers Association.

"The Association has developed for its members a uniform cost accounting system which has saved our company more than \$10,000 a year," Mr. Fisher declares. "On one item alone—shrinkage, or loss in the flow of products through the plant—we have been able to save \$5,000 a year."

He enumerates other services which the Association provides. There's the sales manual and other means by which member companies are assisted in training their driver salesmen.

"For any one company to develop such facilities would have cost thousands of dollars," Mr. Fisher continues. "This service alone has increased the earning power of each member using it by several thousands a year."

### An exchange for ideas

THERE'S the Association's clinic for the exchange of practical, money-making ideas.

"Through local, district and other meetings, members constantly exchange ideas," Mr. Fisher concludes. "To interpret the value of such exchanges in terms of dollars and cents would recognize only a small part of their true value. The Association has been a great factor in stabilizing the industry during these trying times."

Dairy and ice cream manufacturers also have tasted the fruits of cooperation and found them good. An executive of one of these companies refers to the exposition sponsored by his trade group, the Dairy and Ice Cream Machinery and Supplies Association, Inc., and says:

"I consider the Dairy Industries Exposition of the greatest value from a sales angle. At the 1931 Show in Atlantic City, orders were received for more than \$80,000 worth of equipment."

Another executive in the same industry says:

"Our membership with the Association has enabled us to establish valuable contacts at small expense. The information the Association has supplied through its various lists has in some instances reduced the costs of our direct-mail campaign to a minimum."

To refer again to the services of trade associations in the retail field, there is the case of the Texas stationer who received a copy of one of the research studies made by the National Stationers Association. He studied the report, measuring his own costs against those of other stationers. He found that his rent percentage was out of line with that of others in his industry and on these grounds obtained an adjustment amounting to 40 times the sum of his trade association dues.

In addition to such services as have already been mentioned, many associations maintain testing and research

laboratories and staffs that aid in the solution of technical problems. One such group is the American Gas Association. P. H. Gadsden, vice president of the United Gas Improvement Company, Philadelphia, says concerning the Association's Cleveland laboratory, established in 1925:

"While the primary function of the laboratory is to promote safety in the utilization of gas, its efforts have resulted in great improvement in the construction and design of practically all domestic gas burning appliances. Furthermore, there has resulted a pronounced degree of standardization of gas appliances, which has unquestionably reduced manufacturing costs and simplified, to a marked extent, the service problems of the gas companies. Its operations have assisted in solving the industry's sales problems by making available to companies and customers a list of approximately 25,000 certified appliances."

#### Research for the industry

ANOTHER trade association which devotes considerable attention to scientific research is the American Paint and Varnish Manufacturers Association. Of this branch of that Association's activities, Member Horace S. Felton, of Felton, Sibley and Company, Philadelphia, remarks:

"The scientific section of our Association serves as a clearing house for technical information. It is engaged in scientific research and its reports are eagerly sought after not only in America but on the Continent as well. A special division of its activities is represented in the work of the American Tung Oil Corporation. This organization has been promoting the growth of tung trees in the South. These supply tung oil, a principal constituent in the manufacture of varnish. Over a period of years this activity will render our industry less dependent on a more or less uncertain supply of this oil from abroad."

Profitable research of still another kind is conducted by the Cotton-Textile Institute, Inc. K. P. Lewis, president of the Erwin Cotton Mills, Durham, N. C., in a recent talk before North Carolina cotton manufacturers, said:

"I want to call your attention to the energetic and effective work done by the Cotton-Textile Institute in extending the uses of cotton and finding new outlets for our products. National Cotton Week has been an outstanding success for the past two years, and under the leadership of the Institute cotton has become a fashionable fabric in women's dresses. Great increases have also been made in the use of cotton for bags, roads, and cotton baling, and dur-

(Continued on page 63)

# Protect your Product against substitution and imitation

If desired, the wrapping machine will also imprint the manufacturer's name over the plait of the wrapping.



Showing unique tear-tab for Cellophane-wrapped package.



Showing easy-opening tab for foil-wrapped package.

## This type of wrapping will help you do it

A definite means of protecting your product against imitation, substitution and "bootlegging" is offered by this new type of wrapping, originally developed to provide an easy-to-open package for chewing-gum.

These unique forms of wrapping cannot be duplicated by hand. Therefore, only concerns with sufficient volume to employ machine production can wrap their products in this distinctive manner—and such concerns are not of the "bootlegging" type.

If desired, the wrapping machine will also imprint the manufacturer's mark over the plait of the Cellophane wrapping.

Makers of drug products, toilet goods, food products, radio tubes, and other merchandise that suffers from unscrupulous competition, should consider the important protection this new method of wrapping affords.

Write us—send us your product—and get our recommendations, without obligation.

**PACKAGE MACHINERY COMPANY, Springfield, Massachusetts**  
New York Chicago Los Angeles

Peterborough, England: Baker Perkins, Ltd.



When writing to PACKAGE MACHINERY COMPANY please mention NATION'S BUSINESS

# Cashing in on Young Ideas

By JAMES TRUE



McCormick & Company's model store was unanimously approved by the "Juniors"

AMERICAN business, as never before, demands new ideas. Many business methods, successful a few years ago, are now obsolete. But who will evolve the necessary new methods? Business management, worn and weary with its struggle against the changing tide, requires a strong infusion of youthful energy. The problem is to find this youthful energy.

Six months ago, McCormick & Company began to seek it. For more than 40 years, this organization, located in Baltimore, has been a leader in the spice and flavoring extract industry. Last year, C. P. McCormick, a comparatively young man, was elected president, and promptly introduced the most radical innovation in the history of the business. He gave the youngsters of the organization a voice in the management, with immediate and valuable results. Recently he explained the venture this way:

"After a long period of successful operation and growth, a business tends to rest on its achievement and reputation. With the coming of age, the human mind naturally dwells more on the past and less on the future.

"With only two exceptions, the members of our board of directors are managers of departments, and have been with the company many years. They are all older than I and nearly all are well past middle age. They are a level-headed, loyal, conservative, experienced group of business men, and



The display of competitive brands, which the "Juniors" approved of, has brought much favorable comment

they are greatly responsible for the success of the business; but their experience and judgment were accumulated in a period that has greatly changed; a period made up of conditions that differed widely from those of today.

"The company could not get along without these directors. Every modern business organization needs the conservatism and guidance of long experience; but it requires vastly more. The depression definitely ended a period of American business development and junked more methods and antique

## The Sentinel

The Hartford has been standing guard against loss to its policyholders since 1810. During that time it has been on the alert to offer them wide and complete protection, keeping abreast of all the changes and hazards of modern life.

Therefore, consult the nearest HARTFORD agent\*. Put into his hands the protection of your home and your business. Back of him and the contract he sells you stands the HARTFORD with its will to pay, its ability to pay and its record of payment during 123 years.



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The resources of the HARTFORD are set forth in detail in our 123d annual statement. We shall be pleased to send a copy of it to you upon receipt of your request, addressed to the Hartford Fire Insurance Company, Hartford, Connecticut.

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ideas than most of us have yet realized. In the past, our major problems were mainly in the field of production. Now our production difficulties are trifles compared with the problems of distributing our goods. Almost overnight, it seems, the character of our channels of distribution has completely changed, and we realize that our future success depends on the soundness and practicability of our distribution policies. I confess that I, as well as the members of our board, was somewhat confused at the outlook. That is why I formed our Junior Executive Board.

### Training the junior officers

"TO COMPRIZE this board, we selected a representative, usually an assistant manager, from each of our 14 departments. I called these young men together, told them the purpose of their organization, and asked them to get busy. They then went into executive session, elected a chairman and a secretary, and arranged to promote the latter to the chairmanship and elect a new secretary every three months. Our idea was to give training in parliamentary procedure to all members.

"These young men, ranging in age from 19 to 35, are among the brightest and most promising members of our organization. They understand that, in the future, new members of the senior board will be selected from their number, and that every recommendation they make will be seriously considered and probably adopted. They have held only six regular meetings and two with the senior board at which their officers presided; but they have proved their organization to be invaluable to the company. It is surprising how many of the new ideas and changes in policy adopted in the last half year have resulted from their recommendations."

As a part of the program of one of the early meetings, Mr. McCormick requested the junior board to decide whether the company should join the "Buy American" campaign. A large number of customers had written the company endorsing the movement and requesting cooperation. It was thought that the young men would be favorable to the campaign; but after discussing the economic phases of the subject in relation not only to domestic business, but also to export trade, they voted down the question almost unanimously.

At a subsequent meeting, the problem of department management was voluntarily taken up. The junior board decided that the department offices were too crowded, and that, through the years, the managers had assumed so many detail tasks that they could not properly study more important matters.

After exhaustive discussion the junior board recommended that all department files be moved to one room. This

recommendation was promptly adopted, and the change not only relieved office congestion, but resulted in economy and convenience in filing office letters and records. Then, after analyzing the work of all departments, the board decided that the assistant managers and others could relieve the managers of certain routine duties which they specified in their recommendations. This program was also adopted, with the result that the managers now have time for important meetings, for the study of policy changes, and for frequent sales trips into their territories.

While problems of management have attracted much of the attention of the junior board, the members have shown more interest in the more venturesome field of distribution. As an illustration, several months ago the project of erecting a model retail store in the general offices of the company did not meet with the complete enthusiasm of all of the members of the senior board. The junior board, however, voted unanimously for the store and it was constructed.

When it came to stocking the shelves, some of the members of the senior board were emphatically against displaying competitive goods. But the junior board reasoned that the model store was supposed to exhibit a representative stock of groceries, as well as to promote the latest and best in store equipment, decoration, lighting and arrangement. Because several competitors produce goods of unquestioned high quality, the juniors insisted that such goods be included in the display stock, and they finally had their way.

No other decision of the junior board so well illustrates the value of a youthful viewpoint. The competitive goods have caused no end of discussion and comment. Hundreds of visiting retail grocers have expressed surprise and then appreciation of such a broad-minded policy. If the displays have sold some competitive products, the fact of their being on the shelves has sold a volume many times larger of the company's goods. Now there are no objectors.

### For improvement of stores

THE store is now under the management of the Junior Executive Board. It has been developed into a work shop for the creation of display material and the improvement of store equipment and the company's packages. A new method of shelving has been devised, 14 improvements have been made in packages and labels, and a number of other important projects are being developed.

It is natural to suppose that the giving of so much authority to young men might tend to stimulate egotism. But when the possibility was mentioned, Mr. McCormick smiled and said:

"It is always a properly humbled crew that leaves the meetings of the

junior board. I have heard that several plans have been presented with an amazing degree of cocksureness; but the tendency toward super-self-confidence has always diminished to a normal level under the merciless determination of the majority to get down to bed rock, to analyze, criticize, and evaluate. No; we have noticed nothing to indicate a development of egotism among members of the junior board.

"On the contrary, the company never has adopted any measure that has so lifted the morale of the entire organization. For many years we have allowed our employees to buy company stock. All members of the junior board are stockholders. This plan was adopted to encourage our people to take an interest in their work; but it is not enough.

### Better employee morale

"AS AN indication that more is required, recently one of the younger members of the junior board told me that before his appointment he considered himself as just a small part of a big human machine, and that he was always hoping that some other company would offer him more money and a better, more interesting opportunity. But now, he assured me, he considers himself a necessary part of the organization, and he has given up all thought of any other occupation. He also said that, as a member of the board, he had learned more about business management in six months than he could have learned in ten years plodding along at his job.

"Whenever I hear discussions concerning waste in industry, I wonder that more companies do not realize that their greatest loss is probably a dissipation of thought energy. Usually, although every member of a business organization is capable of thinking constructively, he is not encouraged to do so. If a young man has a good idea, he hesitates to mention it because it may not be seriously considered, or he fears that it may be accepted as a criticism of the work of a superior. So he says nothing about it, and the business loses something of probable value.

"For six months, our entire organization has been thinking about the business as it never has thought before. I do not suppose there is an important detail of any of our activities that has not had the studious and constructive consideration of the members of our junior board. Our company is being constantly infused with youthful energy and constructive ideas, and it is assured of a well-trained, keen-minded personnel for its future management.

"The work of our Junior Executive Board is not only showing up nicely on the profit side of our ledgers, but is helping to keep our entire organization on its toes."

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## Seeking the Route to Fair Wages

(Continued from page 27)

additional government employees and declared that, far from giving the Secretary dictatorial powers, her measure was actually designed to limit these powers.

"I recognized the impropriety of giving any one public official the right to grant wholesale exemptions from a mandatory law," she said, "without limitation and without provisions for publicity."

This impropriety, she felt, was met by giving the power to a representative board.

### Opposed minimum wages

PRESIDENT GREEN, appearing before the same committee, put organized labor on record as favoring the main purpose of the bill. He opposed the minimum-wage provisions—except for women and children—as a "dangerous experiment," but favored a provision that imports be banned unless manufactured under the 30-hour week.

He urged, further, that the 30-hour week be linked with a plan "for government underwriting of production to increase productive activity and employment in the building, capital goods and consumer industries," with governmental loans restricted to payments for labor and materials.

Gerard Swope, president of the General Electric Company, also testified in favor of the main purpose of the bill but felt that, in its proposed form, it was probably "too rigid," and did not go far enough. He urged that it be made to cover all public and private employment, except agricultural and domestic workers, at wages of less than \$1,800 a year. He also recommended that, instead of the 30-hour week, the working time be arranged on the basis of 832 working hours in 26 weeks, with a maximum of 48 hours for any one week. He favored the minimum wage proposal but urged a two-year limitation on the law.

While employers, workers and government were thus expressing their willingness to increase purchasing power by sharing of work, other methods aimed at the same goal were going forward. These included inflation, the Government's public works program and reforestation plan and movements for state minimum wage laws.

The first such law was adopted in New York. Similar legislation has been urged by President Roosevelt in letters to the governors of 13 industrial states. In the President's opinion, statutes fixing minimum wages would be no hardship to the majority of employers.

Ninety per cent of them, he believes, oppose wage cutting and are at least making efforts to pay decent wages. Such laws would, however, in his opinion, force sweatshops out of existence and relieve reputable employers of that type of competition.

In the meantime business itself, as represented by the U. S. Chamber of Commerce, was watching these various proposals and weighing them. Although long in sympathy with their purposes, the Chamber believed that governmental limitations would fetter rather than stimulate and that, in any event, a measure which covered only those manufacturers engaged in interstate commerce would affect too few workers to have much effect on the situation.

Given 90 per cent of employers ready and willing to maintain employment and wage scales, the Chamber concluded that the only weapon needed to effectuate those ends was one which would give the 90 per cent power to enforce their convictions on the recalcitrant ten per cent.

### Industry to rule itself

SUCH a measure was outlined by President Henry I. Harriman, of the Chamber, in testimony before the House Committee considering the Black Bill and later in conferences with members of the Administration, at the Annual Meeting of the Chamber in early May, and in extensive discussions with leaders of many lines of industry. Before the Committee, he proposed a legislative enactment giving "an appropriate agency of the Federal Government authority to approve agreements entered into voluntarily by the majority in interest of the enterprises within an industry, establishing minimum wage scales and maximum hours of labor which, in the judgment of the agency, would tend to promote the public interest and prevent unfair competition. The agency should be further authorized to restrain violation of the provisions of these agreements by any enterprise within the industry."

Other proposals to the same end are coming forward and President Roosevelt has given strong endorsement to some arrangement such as this.

In explaining how this proposal would operate, Mr. Harriman said:

"The means for the effort are available in the industries and the fields of business themselves. The manner in which they can proceed has been worked out in principle through the trade practice conference of industries with the Federal Trade Commission. What is needed is statutory authority for each

industry to lay down those standards of fair competition that will permit the responsible members of the industry—and they can be depended upon to be the greater part—to deal with hours and minimum wages in a manner that would bring about all of the benefits contemplated by the bills before the Committee, would extend those benefits through the adherence of employers not engaged in interstate commerce, and could include distributive businesses that would not be touched by a statutory rule enacted by Congress.

"Most fields of business have trade associations through which they can quickly act or which can be readily adapted for action. The whole downward spiral due to the destructive competition on the part of self-seeking and reckless minorities can be stopped. The public interest can be protected by the presence of a federal agency in all proceedings. Once such determinations have been given effect, they can be enforced by applying the present law for stopping unfair methods of competition.

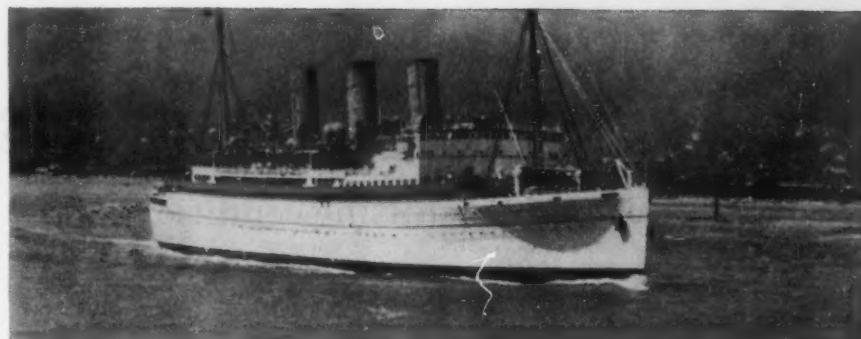
"In all such proceedings when hours of work and minimum wages are under consideration, the Secretary of Labor could have participation and could, when the determinations came before the federal agency for consideration, be heard, offering any evidence and any witnesses.

"These conclusions are not new. They have repeatedly been urged by the United States Chamber, by virtue of votes of its organization members. Moreover, they are confirmed by our special committee on working periods in industry, in a report recently submitted to our Board.

#### Business can do it better

"THE Chamber of Commerce recognizes the fine public spirit which animated Senator Black and Miss Perkins in the preparation of their bills. It is sympathetic with their chief objectives, which are for the establishment of maximum hours and fair minimum wages for various classes in industry and a balancing of production with demand. The Chamber believes, however, that these objectives can be obtained without the rigidity of Senator Black's measure and without the governmental boards provided for in Miss Perkins' bill.

"The parties who are best equipped to solve the problems of industry are the trade associations of each industry. The Chamber is confident that if trade associations in conference with labor and with the Government were permitted to promulgate fair rules for industry (which would include limitations upon the hours of operations according to the demand for labor in the industry, minimum pay, and possibly minimum prices) our most serious economic problems would quickly vanish."



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Ask anyone who's made an "Empress" crossing! Frequent sailings from Vancouver (trains direct to ship-side) and Victoria . . . to

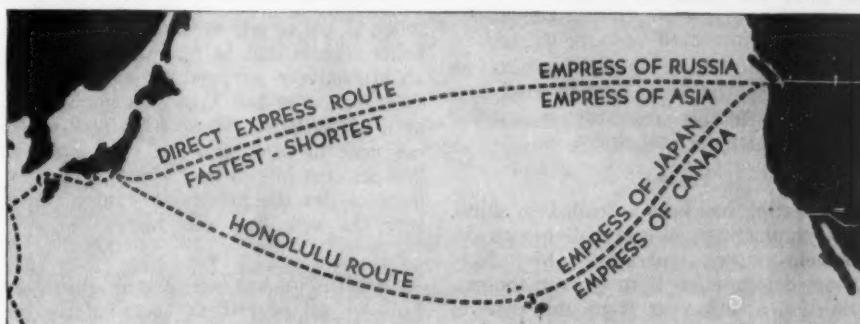
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# Developments in Distribution

IN THIS day of rapidly shifting conditions and events, a progressive attitude in sales activity becomes more important than ever, indeed it becomes imperative

**V**OLUNTARY chains (groups of independent dealers banded together for purposes of group buying and merchandising), long active in the grocery field, are being extended into new fields. Now there is a voluntary in the drug trade, another in the automobile accessories field, a third in the confectionary field. A voluntary in the furniture field is being organized, one is projected among department stores, and another among supermarkets.

INCREASED sales came to a store in a New York town through the use of living models in the display windows. One window was converted into a kitchen, another a dining room, another a living room, etc., with the models doing household tasks, having luncheon and tea. Microphones and outside amplifiers carried their discussions of furniture and garments, and where they might be found in the store, to the sidewalk crowds.

A SUGAR and cinnamon mixture for flavoring and sweetening buttered toast, baked apples, etc., is now on the market in round fiber cans equipped with shaker tops. Another new arrival is the canned baked apple, packed in syrup, four to the container.

THE SUSPENDED bunch of bananas, long familiar in the grocery, may soon disappear. A number of banana jobbers are now cutting up the bunches and selling retailers only edible fruit, packed in boxes. Eight or nine "hands" are placed in each box, in seaweed or paper packing.

COTTAGE cheese is being marketed in light glass tumblers by several dairy companies. The tumblers are suitable for table use after the cheese is used.

ONE packing house is now putting up pickled pigs' feet in regulation-sized beer schooners. Another company is packing mustard in similar containers.

NOW dating has been extended to shirts. One manufacturer, in cooperation with department stores, guarantees his shirts against deterioration from flaws in the material for a full year from the date of

purchase. The sales person stamps the purchase date on the shirt label when the garment is sold.

SHOPPERS can see a sample of the canned goods they are purchasing through a new glass-topped display. Goods in the display are processed in such a way that they retain their color and composition and are held in position by a transparent jelled medium. In use, one display is shown with each group of canned foods on the grocery shelf.

A NEW way of serving food has been evolved at one Army post's cafeteria dining room. Stainless steel trays containing six depressions for the food are used, thus eliminating dishes. The trays are cleaned in a special dishwashing machine.

A NUMBER of bakers are finding that high-quality bread commands a ready market even at higher prices. Cellophane-wrapped special breads—rye, raisin, whole-wheat—in which quality is emphasized are reported outselling the old loaves by as

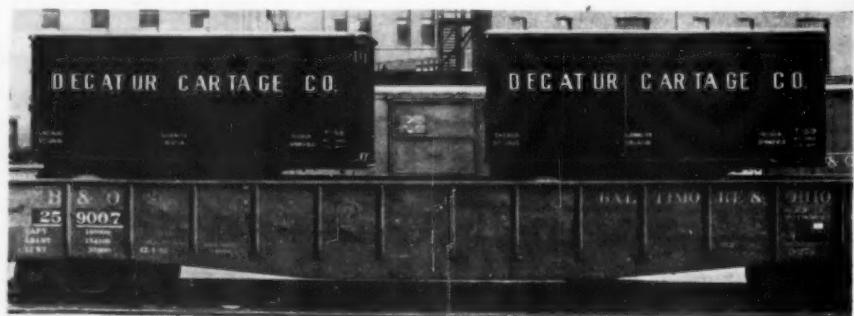
per bags used by grocers, bakers, meat dealers. Such bags would be sold to retailers at a nominal price, the company expecting to recoup its expenses and make its profits in the sale of the advertising space to manufacturers.

ONE wholesaler is using talking film in natural colors to promote women's dresses. The two-minute films, showing models wearing the frocks, are offered dealers stocking the line. Dealers pay only the cost of showing the film at their local theater and are identified by a trailer on the film.

THROUGH an arrangement between a taxi company and a newspaper, Pittsburghers who rent homes through the paper's classified columns are given free cab service on their inspection trips. If they fail to rent the inspected homes they are charged only half the regular fare.

HOUSE-TO-HOUSE canvassing was used by a New England railroad to sell Easter excursion tickets.

THE HAZELTON (Pa.) Chamber of Commerce finds that business shows are still profitable despite the depression. In a community of 50,000 population, the recent show drew 25,000 paid admissions (3,000 more than the 1932 show) contained



Railroad and cartage company cooperate in overnight hauls of less than carload freight between Chicago and St. Louis. Trucks handle the trailers between terminals and store doors in the two cities

much as ten to one in some instances. One baker reports that he recently brought out an attractively wrapped rye bread similar to his old loaf but higher in quality and at a higher price. The old loaf fell off 25 per cent in sales and the new increased 200 per cent in two weeks—and in not one instance did the housewife want to know why the new loaf was higher in price.

A COMPANY has been organized in New York to sell advertising space on the pa-

75 booths of both local and out-of-town firms, gave employment to 385 persons and showed a \$1,200 profit. Examples of business created: One dealer sold six automobiles right on his show space, another sold 47 washing machines, a third \$200 worth of bathroom fixtures, a fourth more than \$100 worth of a new ice-cream product.

—PAUL H. HAYWARD

EDITOR'S NOTE—Further information on any of these items can be had by writing us.

# No Business Can Escape Change

**✓ Kapok** is now available in sheet form, backed on one side by a thin paper membrane or with a tough paper liner added on the other. Applications include temperature and sound insulation in planes and cars, outdoor apparel, insulation and gloves for handling solid carbon dioxide. . . .

**A new lacquered fabric** for bookbinding looks, feels and can be worked like cloth, can take all the colors and designs of cloth, yet is washable and moisture and insect proof. . . .

**Novel** effects are obtained in the home, display windows, theater scenery, etc., with a new fluorescent paint which glows and changes color under ultra-violet light. The paint contains no radium or other dangerous substance. . . .

**A fast-drying pyroxylin** enamel has been developed for use as a one-coat finish on bare metal. It's said to have good adhesive qualities, to give a high gloss finish without use of a primer. . . .

**Copper-hydrogen-electric welding** is now commercially available. It produces a strong iron-copper alloy bond, involves no flame, permits automatic welding on a quantity basis. . . .

**Through a new formula**, copper and certain copper alloys can be covered with a thin coating of special glass. The coating prevents tarnish, offers various color effects. . . .

**A new solder** for aluminum and all other metals is said to have ten times the strength of ordinary solder, to require only an iron or blow torch to apply. Dissimilar metals can be joined with it. . . .

**Sheet steel** is used instead of the customary cast-iron in a new enameled sink. Stamped out of a single sheet, it is said to weigh only about a fourth as much as a cast-iron sink. . . .

**Coal** and oil-fired water heaters are protected against over-heating by a new emergency valve containing a "fuse" which softens under excess heat, permitting the escape of too-hot water. . . .

**A new copper egg cooker**, built like a double boiler, boils eggs soft, medium or hard and whistles when they're done. . . .

**Hinges** have been devised which permit screens, storm windows to be interchanged, allow them to be swung open like doors. . . .

**A self-cleaning rake** has been devised for the home gardener. It has a spring-equipped, hinged head which folds flat to the ground when the rake is pushed forward. . . .

**Crankcase oil** is sucked up into a glass container where it can be inspected by the motorist in a new electrical oil changer for filling-station islands. If still good, the oil's pumped back; if not the machine flushes the crankcase, and new oil is put in. . . .

**Full 100 horsepower** is built into a new motor of less than a foot diameter. It's designed to drive direct-mounted cutting tools whose diameter and speed must be held to a minimum. . . .

**A new electric pencil sharpener** is said to produce a perfect point in an instant at the flick of a switch. . . .



Railroads use this new tractor welder for reclaiming battered rail ends, frogs, etc. It can travel along road-bed shoulders without interfering with rail traffic

"IT'S new ideas that break depressions," one business man writes. "We know because our plant is still working 24 hours a day to keep up with orders on a new whistling tea kettle made of copper."

There's a new double-purpose electric tool which serves either as a drill or hammer. It's used to drill, chip, and channel concrete, brick, wood, also to chip steel plates and drive light rivets. . . .

**A new electrical machine** for the butcher shop removes the viscera from a chicken, lops off feet and head, in eight seconds. It's said to adjust itself automatically to chickens weighing two to eight pounds, handles fresh killed or chilled fowls. . . .

**A machine** which automatically candles and then grades eggs according to weight has been developed. Eggs of the same weight are deposited in bins, ten classifications being provided. . . .

**Milk bottles**, cheese, butter and lard containers are now being molded from cellulose which is then impregnated with a new tasteless, odorless, wax-like material. Nonbreakable, nonsoftening, they can be had in any solid color. . . .

**A wire-stayed fiberboard** container has been developed for nails, bottle caps and other metal products. The container can be knocked down, is said not to bulge under pressure. . . .

**Hot water** at constant temperature is supplied by a new volume water-heating system. The system brings successive quantities of water to full heat before passing them to storage or use. . . .

**Especially timely** is the new device for quickly determining alcoholic content of liquids. Correct percentages, read directly from a scale, are said to be determined under any conditions. . . .

—PAUL H. HAYWARD

**EDITOR'S NOTE**—Material for this page is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business information into our offices in Washington. Further information on any of these items can be had by writing us.



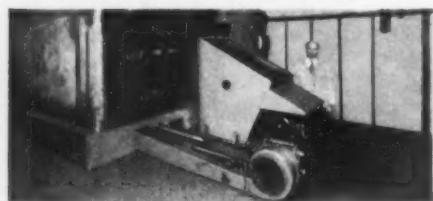
Above: Mr. Enwright, past president Asheville and Southern Hotels Asso., enjoys Asheville's celebrated golf. Right: George Vanderbilt Hotel.

## "Iron Fireman surpassed our fondest hopes"

—says Mr. J. H. Enwright, Manager

George Vanderbilt Hotel, Asheville

Mr. Enwright and his directors cut 53% off their fuel bill when they installed an Iron Fireman Automatic Coal Burner in the George Vanderbilt Hotel at Asheville. And their experience is just one of many thousands of similar experiences. Any man who pays fuel bills should stop, look, and listen to the Iron Fireman story. It deals with sound, basic facts on the increased heating efficiency and lowered fuel costs that result when Iron Fireman automatic coal firing replaces the hand-firing of coal or the use of other automatic fuels. Let us send a free copy of a new nation-wide survey showing comparative costs of various fuels in 48 principal American cities, reduced to the common denominators of "Cost per Therm" and "B.t.u.'s per dollar." Ask for new Fuel Cost Survey.



Boiler room of the George Vanderbilt Hotel showing the Iron Fireman that cut fuel costs 53 per cent, saved \$1519.65 in one heating season, and won the management many compliments from guests on uniform temperature maintained last winter.

### IRON FIREMAN



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Please send Comparative Fuel Cost Survey.

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## The Railroads' Need for a New Deal

(Continued from page 43)

woods. Why then the present furore about transportation? Why the proposals for "emergency" railroad legislation? Here we revert to the conflicting claims and aspirations of the various parties to the present transportation controversy—shipper, labor, stockholder, bondholder, competing transportation agencies.

In response to the needs of the situation the President and his advisers have outlined a general transportation program.

Many of the details have not at this writing been finally worked out, but the general outlines are clear. The program consists of three parts; first, the "emergency" legislation; second, the reorganization of the federal agencies having to do with transportation; and third, the remodeling of the Interstate Commerce Act to take account of new conditions.

### Strengthening railroad credit

THE emergency portion of the program includes two steps designed to strengthen railroad credit. One of these is the "Coordinator" measure primarily intended for elimination of competitive wastes. Another is the repeal of the Recapture Clause of the Transportation Act which provides that excess earnings must be paid to the Government. While little of these "excess" earnings of the past 12 years have actually been paid in, the obligation has been a dead weight on the credit of many of the carriers, including some now in receivership.

Repeal of this Clause should therefore have an immediate as well as future effect on railroad credit. This, together with the improved earnings to be expected from better coordination, pooling and other reductions in competitive wastes, would justify a liberalization of the Reconstruction Finance Corporation policy on railroad loans so that, instead of requiring marketable collateral, such loans might be based on the earning prospects of each carrier.

The proposed "Coordinator" measure deserves special mention. The savings that may be effected in railroad operation through pooling of traffic, unification of terminal services and other steps that would be possible with relaxation of the antitrust laws have been estimated in widely varying amounts. The possibility of economies totalling \$100,000,000 a year is commonly recognized, although it is pointed out that the greater part of this would be in curtailment of service and privileges now enjoyed by shippers, notably the right to route shipments.

Other estimates, contemplating sweeping consolidation of railroad systems and reorganization of service, hold that \$700,000,000 a year could be saved, but railway authorities contend that any such estimates are the wildest exaggerations—that to realize even a fraction of such savings would involve a curtailment of service that would be utterly unacceptable to shippers and the general public.

### A program for many years

EVEN larger estimates have been made, but these contemplate a long-range program requiring many years to put into effect and are of interest chiefly in pointing to possibilities of great technical improvements in the art of railroading which, if realized, would reassure those who have been skeptical about the future of the industry.

How far will the federal coordinating authority have dictatorial powers? Will shippers be without recourse against violation of their proper interests? Will the experience of railway managements be cast aside and the arbitrary judgment of someone from outside the industry be substituted? Will labor find itself without a voice in the proceedings? Will competing forms of transportation be suppressed to restore traffic to the rails?

The proposed Coordinator Bill, according to the latest available draft, offers some answers to these questions. In the first instance, a railroad committee in each of the three regions will work out voluntary reductions of competitive wastes and other improvements. The Federal Coordinator will have power to set aside legal obstacles insofar as the public interest requires and to initiate such steps if the railroad committees fail to act. Shippers or others dissatisfied with any order of the Coordinator may appeal to the Interstate Commerce Commission. Labor will have advance notice and opportunity for hearing on proposed changes affecting it. Shippers and other interested parties should have a similar opportunity.

### Improving efficiency

THOSE who, like the bondholders and other owners of railroad securities, are interested in improved operating results will have reasonable assurance that every practicable economy and improvement will be explored and that decisions will be expedited. For the long-range future of the transportation industry they will also be interested in the provision of the proposed bill authorizing

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TO BE DONE by  
MEN LIKE YOU*

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*When you do, NATION'S BUSINESS can help. It reaches a market of more than a quarter million identified, active business men of known standing, known interests and known income. Men who are making most of today's buying decisions.*

*With tested copy, tested follow-up, tested sales methods, you can advertise in NATION'S BUSINESS with every confidence that your investment will bring profitable returns.*

*For any sales-minded executive who uses advertising to find paying prospects and to sell them when found . . . NATION'S BUSINESS gives adequate coverage of the executives, directors, bankers and others who authorize expenditures. Its buying influence is out of all proportion to its circulation, and the cost is surprisingly low.*

**NATION'S**  **BUSINESS**  
**WASHINGTON**



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When again will you be able to buy so many happy memories for so little?

Steamship rates are absurdly low. Living costs in Europe are way, way down. We've written a little book about it. We'd be happy to send it to you free.

It shows you how you can go . . . in dollars and cents costs. For instance . . . a good seat for the finest opera, about \$1.50 . . . admission to the Casino at Monte Carlo, about 40c . . . a cabine at many smart beaches, about 25c a day.

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When writing please mention Nation's Business

the Coordinator to study future measures which may be needed for the improvement of the railroad situation and the coordination of transportation agencies.

It is difficult at this writing to forecast how far the "Coordinator" measure, if enacted, will directly or indirectly affect railway rates and wages. The stage is already set for early consideration of both.

The Interstate Commerce Commission has inaugurated an investigation of a proposed general rate reduction, and the opposing forces are now engaged in a first class battle. As to wages, the prospects are that in June, as soon as permitted by the agreement under which the employees last January voluntarily accepted a ten per cent temporary cut until October, the railroads will take steps with a view to making a permanent reduction, probably much larger than the temporary one.

### Competition affects revenue

RAILROAD labor has long held that there is no essential relationship between rates and wages. But now, with the advent of serious competition from motor, water, pipe line and air transportation and other practical limits on rates, revenues of the railroads are as never before dictated by conditions beyond their control. It is thus to the mutual interest of the railroads and their employees that the levels of rates and wages be so adjusted as best to promote the welfare of the railroad industry.

The Chamber's Committee on Railroads in its report embodied in Referendum No. 62 last fall stated:

The railroad industry has largely ceased to be a monopoly and must retain its position as the principal transportation agency of the country by adapting itself to the conditions as they exist. Railway labor should, in its own interest, recognize these facts and accept the necessary adjustments of wages, rules and working conditions.

The same principle applies to expense items in general. Instead of fixing them first and making rates to give the necessary revenues, the situation requires that rates be fixed to gain or keep a reasonable amount of traffic and that expenses be adjusted accordingly. This is clearly a responsibility of management.

The present Railway Labor Act is based on this principle. Under it, wage questions are primarily between managements and men, with the Government stepping in, if necessary, only as a mediator or in case serious interruption of traffic is threatened.

There is always a strange atmosphere about railway wage questions. Doubtless, despite the fundamentally changed conditions, it is the shadow of the Adamson Act of 1916 (Eight Hour

Law) which keeps these questions from free discussion. Yet nine out of ten frank observers will say that the wage question is much more important than any other of the current questions—motor competition, Panama Canal, inland waterways, long-and-short-haul clause, reparation abuses, rate making policies, valuation expense, capitalization, Recapture Clause, pooling and reduction of competitive wastes.

### Wages will be discussed

IMPORTANT as these are and deserving of prompt solution, the amounts involved fall into the background when railroad wages are considered. Therefore, among the prospective steps in the present situation, none looms up with such importance as the wage negotiations to take place this summer.

With the general rate case in progress, these coming wage negotiations will bring railroad rates and wages into juxtaposition. Whether a general reduction of all rates is required or whether only the rates on certain commodities or classes of traffic require adjustment will be determined through the investigation by the Commission. On the other hand, the wage negotiations, under the present law, are primarily between the managements and the men, and should be determined in the light of the mutual interest of both parties in reaching a fair solution—one which will take into account the importance of compensating the employees as well as possible consistent with maintaining the railroad system under rates which will permit and facilitate the movement of traffic.

Besides these immediate pressing problems, two other major transportation questions remain. Of these, the reorganization of federal agencies having to do with transportation is, under the law enacted by the last Congress, subject to Executive order reallocating these functions. The practical working of the reorganized agencies will develop in the future. Certainly the new organization promises to bring about a much better coordination of the Government's action on transportation matters and should promote development of a unified system of rail, water, motor and air transportation.

### Simplifying railroad regulation

THE final step in the Administration's program is to be the rewriting of important features of the Interstate Commerce Act. The Chamber in Referendum 62 last fall outlined a number of matters requiring such attention. Besides the revision of the rule of rate-making and repeal of the Recapture Clause, the recommendations included change in the valuation section to discontinue elaborate processes and un-

from frank questions any motor inland clause, policies, Re- duction

and de- amounts when There in the with negotia- gress, will into reduc- whether bilities ment investi- other the in the should be mutual ing a into compensa- possible rail- all per- ent of

essing port- the re- leaving ter the sub- creating working develop- or- but a vern- matters of a and

on

tion's of im- Com- er- er of Be- rate- ture- tude- to dis- un-

necessary work; elimination of unnecessary and hampering railroad regulation; modification of the long-and-short-haul clause to place upon the railroads responsibility for determining whether proposed rates will be reasonably compensatory; reduction of the periods for filing of reparation and undercharge claims; restriction of reparation to actual damage; and legislation to allow railroads to operate water as well as motor carriers.

The Chamber has also urged the importance of legislation for the proper regulation of interstate motor carriers and supplementary legislation to bring about adequate control in the public interest of coastwise and intercoastal shipping and transportation on the inland waterways.

In the working out of all this legislation it appears that there will be opportunity through congressional hearings for the interests concerned to obtain proper consideration of the effects which the details of the legislation will have upon their operations.

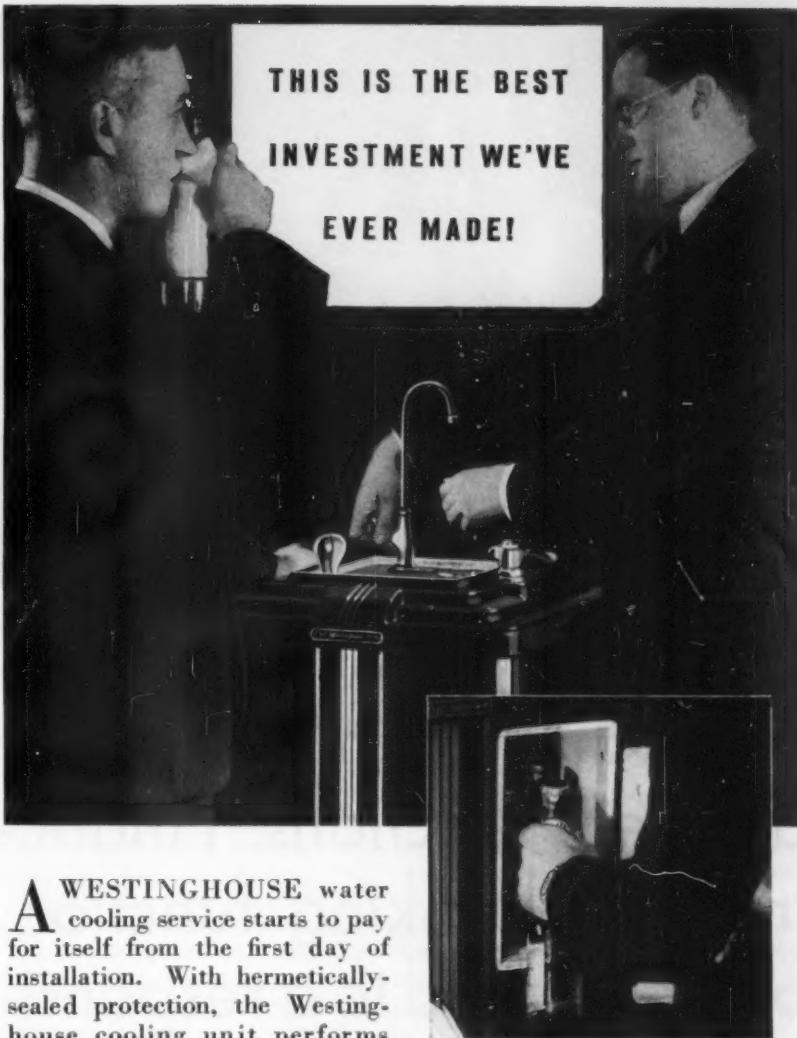
It is to be hoped that the final outcome will offer a satisfactory solution—though doubtless often in the nature of compromise—of the conflicting claims of the various parties to the transportation controversy.

## Business on the Air

TWENTY-SIX stations of the National Broadcasting Company's Blue network are included in the new hook-up over which the radio addresses by Merle Thorpe, editor of NATION'S BUSINESS, will be heard in the future.

The new series of talks on "The State of the Nation" will go on the air Thursday evenings at 7:45 Eastern Standard Time. The stations included in the network are:

WMAL, Washington, D. C.  
WJZ, New York  
WBAL, Baltimore  
WSYR, Syracuse  
WWNC, Asheville, N. C.  
KWK, St. Louis  
KSO, Des Moines, Iowa  
WREN, Kansas City, Mo.  
WSM, Nashville, Tenn.  
WAPI, Birmingham, Ala.  
KOA, Denver  
WIBA, Madison, Wis.  
WDAY, Fargo, N. D.  
KFYR, Bismarck, N. D.  
WKY, Oklahoma City, Okla.  
KPRC, Houston  
KTBS, Shreveport  
KTHS, Hot Springs  
WGAR, Cleveland  
WIOD, Miami  
KGIR, Butte  
KGW, Portland, Ore.  
KECA, Los Angeles  
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# Things Talked about in Wall Street

By a Staff Writer of NATION'S BUSINESS

NEW YORK, MAY 10

## Brokers' business picks up

FROM the brokers' point of view April was the best of many months. Sales of stocks were larger than for a long time, prices were higher and the public showed a growing interest. The total gain of value of 240 stocks chiefly dealt in was about \$4,250,000,000, an increase of more than five points. Office staffs were increased, there were bull-market complaints of slow ticker service.

## Worry over inflation

PERHAPS the banker was not quite so happy as the broker. Inflation has an ominous sound to the banker mind. There is something a little disturbing in seeing the highest grade bonds go down and common stocks go up. Practically all the current indices of business showed gains in late April and early May, but despite that encouragement, business still showed little sign of undertaking new ventures. It hovered between hope and hesitation.

One thing could be said and that was that the black pessimism of a few months ago had notably lessened. Adjournment of Congress with a clearer view of what the new administration has done and is authorized to do would help to clear away the feeling of uncertainty.

## Hesitating before investing

"I HAVE some money awaiting investment," said a thoughtful student of financial matters. "But, I don't know whether to hold the cash and await developments, buy government short time maturities and defer a decision or to go into equity stocks which might be benefited by inflation or raw materials."

## Commodity trading

ONE factor that may hold the public back from making another runaway bull market is that the average man who in 1928 and 1929 thought he'd learned all there was to know about the stock market doesn't know much about commodity trading. Wheat and pork and

rubber and sugar are more mysterious than Amalgamated Barber Shop Supplies or North and South Gas and Electric. But we may yet find a public discussing the future of rubber and copper as ardently as they once discussed General Motors. Yet a visitor from a middle western city reported that silver had attracted a number of speculative-minded in his community.

## More efficiency in railroading

FRED W. SARGENT, President of the Chicago and Northwestern, gave to the stockholders of that railroad at their annual meeting recently a graphic illustration of how railroad efficiency has been improved in recent years. In the years between 1926 and 1930 the company carried out an extensive program of betterment. As a result its gross business of \$83,000,000 in 1913 called for 136,000,000 man-hours while in 1932 a gross business of \$72,500,000 called for only 62,000,000.

In other words, a man-hour in 1913 brought 61 cents in gross revenue while in 1932 it brought \$1.17.

## Profits are closer

WHAT Mr. Sargent had to say of economies is typical of what a thousand other corporations are doing. They are stripping down to the point where only a little upturn in gross business will mean a profit as against a loss.

President J. B. Graham of Graham-Paige told his stockholders the other day that they could break even on sales of 14,000 cars a year and make money on 15,000. Three years ago they had to sell 40,000 a year to make a profit.

## A fluctuating dollar

IT COMES as a shock to the present generation to read a headline "Dollar off to 81.7 cents, lowest since 1879." We long thought of the dollar as the sure and immutable thing in the world of business.

There is something humiliating in the feeling that the American dollar is cheapened. But the news drives home that fact. Bordeaux, Lyons and Marseilles are paying the interest on their

bonds under the provision of the gold clauses. The dollar, off gold, is down and the owner of a \$1000 bond gets \$35 instead of \$30 for his six months' coupon.

Here's the reverse of the picture: Americans resident in Paris are leaving for home because their American money doesn't buy as many francs as it did while others getting salary checks in dollars found their pay declining.

## Weakening the gold clause

ON THIS page in the March issue, I ventured to suggest that if we went off the gold standard and tried a measure of inflation we should have to find some way to avoid the gold clauses in the bonds and mortgages and other evidences of indebtedness. England has had to meet this situation and so far the courts have said that gold need not be paid.

The case concerned the bonds of a Belgian company whose bonds were sold in England and were payable "in gold coin of the weight and fineness existing on September 1, 1928." The Chancery Division of the High Court of Justice has said "to attempt to impose upon the debt an obligation to pay in a particular form and not anything which is legal tender is an attempt to do something which cannot be enforced if the contract is a mere contract for the payment of money."

And the Court of Appeal agreed. Presumably the House of Lords has yet to act.

## Avoiding the gold clause

IT IS estimated that there are outstanding in this country some 90 billions of indebtedness payable as principal and interest in gold. Little, if any, of it was ever paid in gold and with the country off the gold standard there seems to be little flurry over the clause.

What is happening is that new issues are being made payable in some other way. The new highway and bridge bonds of Maine are payable in "lawful money of the United States of America." Nassau County, New York, makes its obligations payable in gold "or the equivalent in lawful money."

*Hand this to  
Your Secretary*

—with instructions to fill out and mail for information about a contract which combines features of family protection with a personal retirement income.

It's a story you'll want to hear. Need we add that there is of course no obligation?

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## Business Issues of 1933-34

- Self Regulation by Business
- Lower Taxes
- Permanent Government Economies
- Strengthened Budget System
- Increased Farm Purchasing Power
- International Debts
- Unemployment Legislation
- Government Competition with Business

NATION'S BUSINESS will keep you in touch with all of these issues and their effect on business during the next 12 months.



## Some Points of View

### "A Challenge," by Philip Cabot in the *Atlantic Monthly* for May

★ WE seem to have forgotten what our fathers knew, that democracy can never be an efficient form of government. Efficiency was not its purpose. By deliberately making it inefficient, its founders aimed to promote self-confidence and efficiency in the citizen, so that he could, and would, do things for himself. Their objective was a weak government and strong individuals.

### Haggai I. 6

★ YE have sown much and bring in little; ye eat but ye have not enough; ye drink but ye are not filled with drink; ye clothe you but there is none warm; and he that earneth wages, earneth wages to put it into a bag with holes.

### "Farm Relief—And What Then?" by Benjamin Ginzburg in May *Harpers*

★ LITTLE do we realize that the farm parity plan commits the country to the virtual enrolment of the agricultural class into the national service on a secured income and employment basis, as well as to the creation of a socialistic precedent that is likely to be utilized with revolutionary effect by other social classes.

### Editorial in the New York *Times*

★ PROFESSOR Kemmerer of Princeton was asked who constitute the greatest debtor class in the United States. His answer was simple. They are the stockholders who own the big corporations whose debts, expressed in bonds issued, are seven times the amount of farm mortgages and all other agricultural loans combined.

Now what would happen if the Government came to the aid of these debtors by devaluing the dollar so as to make it worth 50 cents or thereabout? They would profit by many millions, since they would be enabled to pay off their debts at half their contracted price. Then who would be that body of creditors so contemptible, so proper a prey, in the eyes of Senator Thomas? They would be thousands and thousands of middle-class investors who had put their meager savings into corporation bonds; they would be the holders of insurance policies; they would be the owners of small savings-bank accounts; they would be colleges and hospitals and libraries and societies for mutual benefit and pensions.

### George E. Roberts in the National City Bank Bulletin for April, 1933

★ NOTHING is more significant of the bitter lesson that inflation teaches than the attitude of the German people toward it today. Their unanimous stand against it may be set up against all the plausible arguments for it now circulating in this country.

### Leonard P. Ayres in Cleveland Trust Co. Bulletin for April 15, 1933

★ OF course, it is absurd for us as a nation to vote huge appropriations to support a Department of Agriculture, and large sums to subsidize agricultural colleges to show farmers how to increase production, and then to tax industrial workers so as to raise funds to hire the farmers not to increase production.

### Ellery Sedgwick, Editor of the *Atlantic Monthly*

★ I BELIEVE that the purpose of a tax is to produce revenue, and I deprecate the idea of using this power of life and death for some ulterior social object. Whether compulsorily increased salaries and wages would make the machine go faster, I don't know, but I think it might. I do not, however, believe in the wisdom of taxing any group of men in order to forward the idea of social justice. You must arrange the rules of the game so that they will be fair, but after a man has entered the contest and won a prize, I think it unfair to take the silver mug away from him and give him a tin one instead.

## They Get Their Money's Worth

(Continued from page 47)

ing the past summer men's suits of cotton took a big step forward in popularity."

The National Association of Ice Industries also carries on helpful research activities. Member Edward L. Bennett, president of the National Service Companies, Boston, says:

"With the advent of comfort cooling, our Association produced a manual on the subject which is the standard authority in this field. Through it we expect to obtain new business. A like manual on commercial refrigeration has helped us to organize our own forces for protection and enlargement of this important field."

To cite a less common association activity than research, mention might be made of one of the activities of the National Automobile Chamber of Commerce—cross licensing of patents in the motor industry, which this organization has sponsored. Under this cross licensing agreement the manufacturers exchange some 1,600 patents without the payment of money royalty. Its worth may be briefly indicated by the fact that it has eliminated all patent law suits between members for the past 17 years and that it received the 1930 American Trade Association Executives' Award as the most meritorious trade association achievement.

### Helps produce efficiency

MY OWN trade association, the American Transit Association, of which I have the honor to be a past president, provides several of the valuable services enumerated above. I can testify from experience that it would be impossible for us to operate our lines efficiently without the many specific statistical, accounting, technical research, and educational services which our Association renders us.

While only a few of the several associations which have been organized in industry and business have been mentioned here, and relatively still fewer of the many activities which such associations are now conducting on behalf of both member firms and their industries as wholes, these may give a glimpse of some of the things that are being accomplished by group efforts.

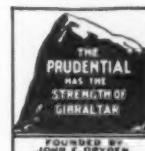
They point to at least some of the reasons why trade association members have come to look upon their association membership dues not as contributions, nor as advertising or good-will expenditures, but rather as essential, profitable and justifiable expenses of business.

## WHY did they buy?

Since 1929, more than five thousand business concerns have started our Group or Wholesale life insurance plans for their employees.

This is roughly twice as many as applied to us in any similar period before that well-known year.

Employers who have no such plan may be surprised at this statement. They are invited to ask us for "the reasons why".



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EDWARD D. DUFFIELD, President  
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Economical because of its reasonable price and the elimination of maintenance costs. In other words, this ever alert guardian, Cyclone Fence, is not an expense but a dividend paying investment.

Erected by factory trained men, if you desire.

Write for complete information. Address Dept. N.

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Standard Fence Company, Oakland, Cal.



Cyclone—not a "type" of fence, but fence made exclusively by Cyclone Fence Company and identified by this trade-mark.



## WHO SAYS HARD TIMES?

Not Bristol, England's most Prosperous Provincial City. Why not write the Secretary, Development Board, 1, BRISTOL BRIDGE, BRISTOL, ENG. and ask him about it?

**On the "Avenue"**  
where the big parades pass, and near government buildings, shops, and theatres. Write for rates.

**The WILLARD HOTEL**  
"The Residence of Presidents"  
Washington, D. C.  
H. P. SOMERVILLE, Managing Director

# The Business Stage

★ ★ ★

## Birth of a State of Mind

✓ MR. GUINNESS P. GRUMP drives into a gasoline filling station in his eight-cylinder coupé.

ATTENDANT: Good morning, Mr. Grump. Fill 'er up, Mr. Grump?

MR. GRUMP: Gimme ten.

SECOND ATTENDANT: Check your oil?

MR. GRUMP: Oil's all right. Gimme 35 pounds of air.

SECOND ATTENDANT: Yes, sir, Mr. Grump. (*Kneeling by wheel.*) This front tire's in pretty bad shape, Mr. Grump. Could we sell you a tire?

MR. GRUMP: Can't afford to buy a tire. Business is terrible.

SECOND ATTENDANT: That's right, Mr. Grump. Business is sure terrible.

MR. GRUMP: Not going to get any better, either, as long as the stock market is inflated.

SECOND ATTENDANT: That's the trouble all right—market's inflated something awful. Goodbye, Mr. Grump.

ATTENDANT: Smart fellow, Mr. Grump.

SECOND ATTENDANT: He knows his onions, all right.

*Herman J. Jump rattles up in his flivver.*

MR. JUMP: Hello, put in five.

ATTENDANT: Morning, Mr. Jump, how about your oil and water?

MR. JUMP: Better check 'em. Business pretty good with you these days?

ATTENDANT: No, sir. There can't be no good business with the stock market inflated like it is.

MR. JUMP: I suppose that's right. Never mind about the oil. Thanks, boys.

ATTENDANT: Thank you, Mr. Jump.

*Mr. Jump parks his car and hurries to his store. He finds a salesman waiting.*

SALESMAN: Good morning, Mr. Jump. You're looking happy this morning and you're going to look happier yet when you see these new neckties I've got. Your spring trade will eat 'em up.

MR. JUMP: How do I know there'll be any spring trade? I'm not buying anything with the stock market like it is.

SALESMAN: How's the stock market?

MR. JUMP: It's inflated, that's what it is.

SALESMAN: Is that so, I haven't seen a paper this morning.

MR. JUMP: Yes, sir, plenty inflated. Confidentially, the big oil companies are worried about it, too. And when those big boys are worried, there's something to worry about, I can tell you.

*Salesman goes out into the street and meets another salesman.*

SECOND SALESMAN: Hello, Ed, how's business?

SALESMAN: Lousy! You can't sell goods when the stock market's inflated like it is. All the big boys are scared to death. Let's go to a movie.

SECOND SALESMAN: Wait for me in the hotel. I've got a customer in this block, I might as well see.

*He calls on Jasper Puff.*

SECOND SALESMAN: Good morning, Mr. Puff, how about a nice order today?

MR. PUFF: Well, I don't know. What do you think of conditions?

SECOND SALESMAN: Well, sir, I think conditions are going to get better as soon as the stock market gets right again. It's inflated now, of course.

MR. PUFF: Inflated, huh?

SECOND SALESMAN: You bet it's inflated. Between you and me, everybody's plenty worried, and a lot of speculators are going to get theirs.

MR. PUFF: I guess I'd better wait.

*He dismisses the salesman and goes to lunch with Elmer Blimp.*

MR. BLIMP: Well, what do you know?

MR. PUFF: I know this stock market's got me plenty worried. It's inflated as hell, that's what it is.

*Mr. Blimp goes home and plays bridge with the Gulp.*

MR. BLIMP: One no trump.

MRS. GULP: Pass. And the man said he'd allow us \$300 on the old car.

MRS. BLIMP: Two spades.

MR. GULP: Pass.

MR. BLIMP: Three spades. A new car's all right if you can afford it, but I certainly wouldn't buy any car until I saw what the market did.

MRS. GULP: Pass. Of course, I don't know anything about the market.

MRS. BLIMP: Four spades.

MR. GULP: Double.

MR. BLIMP: Well, everybody knows the market's inflated and there's going to be all kinds of trouble. Pass.

MRS. GULP: Pass.

MRS. BLIMP: Pass.

MR. BLIMP'S 12 YEAR OLD SON: Daddy, what does it mean when the stock market's inflated?

MR. BLIMP: Why it means—it means—look here it's your bed time. Run along now. Good night.

MR. GULP: Down two. Doubled. Well, you can't expect to make four spades doubled when the stock market's so inflated.—P. McC.

★ ★ ★ ★ ★ ★ ★ ★ ★ ★  
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This is one of a series of editorials written by leading advertising men on the general subject of advertising

## How's Your Advertising?

★ "HOW'S BUSINESS?" On the trains and the streets, in clubs and stores—wherever business men meet, the inevitable question is:

"How's business?"

The answer, whether "Good" or "Bad", should be followed by another question:

"How's your advertising?"

The answer to that question is almost certain to have a direct bearing on the state of business as a whole, for whenever buyers are as shy as they are now, sales are dependent on advertising.

Present advertising is not so much bad advertising as it is inadequate advertising. When sales are needed more than any other one thing, too many business men, with fine inconsistency, have cut out or restricted the use of their most effective selling tool. Those managers who have the courage to look facts in the face, have found the falling sales curve following, in a most disquieting way, the curve of curtailed advertising appropriations. Some others with courage to continue advertising have found sales at least buoyed up, if not booming.

The ultimate purpose of sound advertising is to make profitable sales. Properly used, it will do just that. No business man should complain about the state of his business until he can answer to his own satisfaction the question:

"How's your advertising?"

E. V. THOMPSON,  
Director of Advertising  
Nation's Business

## AND THE BALL was the ONLY BALL with



Courtesy Metropolitan Prop. Service, Inc.

\* GUARANTEED tested to give 7 to 10 yards more carry on drive and full second shot than with the former construction.

Play the new Silver King and prove this fact, that the patented inner lining, which gives absolute cohesion between cover and core, adds seven to twelve yards to the average drive and full second shot. This new ball puts truer and stands more punishment. Best of all, a better Silver King, this year, costs less.

\*British Patent 325,590

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NEW CONSTRUCTION  
KING OF THEM ALL

Low handicap players are now offered the Silver King Plus at 75 cents—sold only by professionals.

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Sole Distributor in the United States

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It is good business to prevent losses. That is why firms are arranging more and more to have their traveling executives and salesmen carry American Express Travelers Cheques instead of cash.

## AMERICAN EXPRESS TRAVELERS CHEQUES

For sale at banks and Express offices



## "Small Store Advertising"

A helpful handbook for retail merchants—contains suggestions for copy and examples of advertising that have brought returns.

Price 15 cents

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These dividends, representing a very substantial reduction in net cost of insurance, are made possible not by higher premium rates but by care in selecting risks and the traditional mutual practice of reducing the cost of the insurance by reducing losses.

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practical methods of fire prevention.

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*This Seal identifies a member company of The Federation of Mutual Fire Insurance Companies and the American Mutual Alliance.*

## MUTUAL FIRE INSURANCE *An American Institution*



### WRITE FOR THIS BOOKLET

Federation of Mutual Fire Insurance Companies,  
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Gentlemen: Kindly send me a list of Federation companies—also a full explanation of the operation and benefits of *mutual* fire insurance.

Name \_\_\_\_\_

Address \_\_\_\_\_

**180 YEARS OF SUCCESSFUL OPERATION TESTIFY TO THE SOUNDNESS OF THE MUTUAL PLAN OF INSURANCE**

*When writing to FEDERATION OF MUTUAL FIRE INSURANCE COMPANIES please mention Nation's Business*